Accountancy

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Proposed Integration of Incorporated and Chartered Accountants

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The New Schedule E

THE SOCIETY OF INCORPORATED ACCOUNTANTS

MARCH 1957 ***TWO SHILLINGS***

The Society
of
Incorporated Accountants

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Admission to membership is by examination subject to satisfactory completion of articles of clerkship for five years (university graduates three years.) Six years' approved professional experience may be accepted in lieu of five years' articles. Exemption from the Preliminary Examination is granted on production of certain educational certificates.

Articles may also be integrated with full-time study at certain universities. Under this scheme a specific university degree and the professional qualification can be attained in a total period of 5¾ years.

All candidates must pass the Intermediate and Final Examinations, except that graduates under the universities scheme are exempted from the Society's Intermediate Examination.

There are Branches of the Society in Scotland, Ireland, Canada, Australia, South Africa and Central Africa, and District Societies in all parts of England and Wales, Northern Ireland, and India. Students' Societies and Students' Sections operate throughout Great Britain, Northern Ireland, and Eire.

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Professional Notes

Meeting of the English Institute on Integration—

IN FAVOUR OF the integration scheme, 1,097 votes. Against, 278 votes. This was the result of the voting on a show of hands at the special general meeting of the Institute of Chartered Accountants in England and Wales, held at the Royal Festival Hall in London on February 19. Thus, of the members of the Institute voting at the meeting, exactly 80 per cent. were in favour of the scheme to integrate the Society of Incorporated Accountants with the Institute; a majority of 66⅔ per cent. is required to pass the scheme. However, a poll is now being taken by post and it is the voting in this poll that will be effective. The polling papers that are being despatched to members of the Institute are accompanied, we understand, by a report of the proceedings at the special meeting. If the required majority is obtained on the postal poll there will be a confirmatory meeting of members on April 17. The results of the poll will be known towards the end of March, and we shall announce them in our next issue.

It was an impressive meeting—impressive by reason of the good attendance and the high standard of the speeches, as well as the large majority vote for the scheme. The President of the Institute, Mr. A. S. H. Dicker, M.B.E., F.C.A., opened the proceedings and proposed the resolution making alterations in the supplemental Royal Charter to enable the integration scheme to become effective. Then the Vice-President, Mr. W. H. Lawson, C.B.E., B.A., F.C.A., seconding the resolution, gave a full and reasoned address explaining the scheme, answering questions and criticisms that had been raised by members

of the Institute, mainly at meetings of its District Societies, and putting the scheme in its broad setting as advancing the profession of accountancy. We reproduce Mr. Lawson's speech in full on pages 112–16 of this issue. Particularly telling points made by him were that there was indeed confusion in the minds of the public at the multiplicity of accountancy qualifications at present; that the scheme was an essential step towards the unification of the profession; that the regulation of the profession, which was one of the purposes of the ill-fated attempt at co-ordination by Bill of Parliament during and just after the war, could be largely achieved, as a domestic matter without recourse to legislation, by the integration scheme.

We go to press immediately after the meeting and the time factor does not allow us to report the other speeches. It seems to us, however, that Mr. L. W. Robson made a fair comment when he said that while some points of criticism of the scheme had merit, they had already been carefully considered by the Council of the Institute over the period of two years during which it had worked upon the scheme, and when he added that any such scheme, the full benefit of which would show itself in the future rather than in the immediate present, must necessarily contain some elements of compromise.

—And Future Meetings

THE SPECIAL MEETING of the Institute of Chartered Accountants in Scotland to consider the scheme of integration of the Society with the Institute—the scheme is reproduced on pages 117–21—is to be held on March 27. That of the Institute of Chartered Accountants in Ireland takes place on March 28: the scheme of integration is given on pages 121–24.

On March 5, at 2.30 p.m., there takes place at Incorporated Accountants' Hall an extraordinary general meeting of the Society to consider a special resolution to make certain alterations in the Articles. These alterations, if passed at the meeting, will ensure that all oversea members of the Society have an adequate opportunity of voting on the integration scheme at a later date. The only business at the meeting will be the proposed alterations of the Articles, and the integration scheme will not be considered or discussed.

Informal meetings of Incorporated Accountants' District Societies are to be held for the purpose of explaining points of difficulty and answering any questions that members may wish to raise on the schemes. The dates of these meetings have not yet been fixed, but will be notified to members.

Accountancy Work for Government Departments

THE SECRETARY OF the Society of Incorporated Accountants announces that Her Majesty's Treasury, after consultation with the Departments principally concerned, has agreed a revised scale of charges for accountancy work carried out for Government Departments. The new scale comes into force retrospectively from September 1, 1956. Details of the scale have been sent to all Incorporated Accountants by the Secretary of the Society.

European Free Trade—An Accounting Task

ACCOUNTING IS TO be called in aid to deal with one of the technical problems of operating the proposed European free trade area. The problem is to define, for purposes of the convention, the origin of goods that are "mixed products" of countries within the area.

Goods that are verified as entirely produced in these countries will enter the other countries duty-free, and goods that are verified as being entirely the products of countries outside the area, even if re-exported by countries within it, will attract duty. On both these classes of goods, the origin will have to be verified, but that is all. But mixed products—goods that incorporate raw materials, semi-manufactures or manufactured components coming from outside the area, and that are partly or wholly processed in a country within the area—will be taken, for the purposes of the convention, either as originating in the area by virtue of a large element of processing, and therefore to be traded duty-free within the area, or as originating outside the area by virtue of a small element of processing, and therefore to be subject to duty. Defining the origin of these mixed products is important, because a significant part of intra-European trade is in goods of this kind.

One system of defining origin is to lay it down that a product is regarded as originating in the free trade area if the processing operations carried on in a country of the area correspond to types of processing set out in an agreed list. The system has some advantages, particularly in administration, but to arrive at the agreed list of processes would be difficult, and it could never be made exhaustive. The working party of the Organisation for European Economic Co-operation, which recently reported on the proposal to set up the free trade area, decided that the system should be used, but that it should be combined with another, called the percentage system.

By the percentage method, a mixed product is regarded as originating within the area if the value of the factors incorporated in the product that have in fact originated within the area exceeds a certain pre-determined and agreed percentage of the total value of the product. The factors might be raw materials, semi-manufactured goods, components, labour, overheads and so on. Calculating and checking the value added, in a country within the area, to factors imported from outside the area must be largely a task for the accountant, but it is one that will present some difficulties of an unfamiliar kind.

In its recent statement welcoming the formation of a European free trade area, the British Government agreed that a combination of the two systems offered the best chance of a workable definition of origin, adding that the precise scope of each of the systems would need to be negotiated among the various countries.

Still No Truck with Banking

A PROFESSIONAL NOTE in October last

(page 381) referred to the legality of paying wages by cheque. Under the Truck Act of 1831 payment of "artificers" can be legally made only in coin (including bank notes) or by cheque drawn on a bank which is within fifteen miles of the place of payment and licensed to issue bank notes. Nowadays in England and Wales only the Bank of England has the right of issue; so, it is argued, no payment of wages by cheque can be legal.

Since October the matter has been widely discussed, and there seems little enough hope at the moment that the modernisation of the law that then seemed possible will quickly materialise. In November the Chancellor of the Exchequer promised that the anomaly of the present legal position should have urgent attention; and soon afterwards it became known that Mr. Graham Page, M.P., proposed to include a clause to cover the point in his projected Cheques Bill. But since then the Minister of Labour has been consulting interested parties—and the Cheques Bill, now published, has nothing to say about wages.

It is reported that while the employers' organisations favour cheque payments, or at least their legalisation, the Trades Union Congress is on balance opposed. There is some reason in its contention that a wage earner without a banking account, finding himself bound to cash his cheques at a shop, would be under some kind of obligation to that shop, if indeed the shopkeeper did not charge him for the encashment, and that this savours of the original abuse that the Truck Act sought to kill. There is reason, too, in the argument that the shopkeeper would know the wage-earner's wage (though it is rather sad that a wife's possible knowledge is also reported to be viewed as a danger). What is quite silly, however, is that an Act of 1831 should make cheque payments illegal not by design—the intention was to permit them, so long as the bank was a reputable one—but because of the change since that remote date in the banking structure. The silliness is pointed by the fact that it is the T.U.C., in all its panoply of wage-earning power, that now seeks to perpetuate the anomaly. Certainly payment of workers by cheque should always be by consent; but one would have thought the T.U.C. in its strength might be ready to see that the system was not abused, rather than to resist its being made legal.

This Cheque Still Needs Endorsement

THE CHEQUES BILL referred to in the previous note is the latest stage in the campaign for the abolition of endorsements. It will be remembered that the Mocatta Committee, reporting last November, was firmly in favour of doing away with endorsements on cheques paid into the payee's own banking account. These cheques make up the great majority of the many millions used in this country yearly, and the business community generally will welcome this substantial change even though many accountants may still have some reservations (see ACCOUNTANCY, December, 1956, page 480). But the draft Bill that the Committee included in its report had certain flaws which were discerned by the Parliamentary draftsmen, and Mr. Page's new Bill is quite different in form, though not in effect. It is understood that this third attempt (counting Mr. Page's original Bill of 1954, which prompted the appointment of the Mocatta Committee) does not give the full protection expected by the banks and regarded by the Mocatta Committee as reasonable. Thus the second reading of the Bill, missed more than once, will probably see further amendment. It is unusual to have so many public bites at a cherry as ripe as this one, but the settling of the detail is bound to be difficult.

To Arbitrate or Litigate?

IN THE NINETIES of last century merchants complained that commercial cases were often heard by judges who had no experience of commercial law, with the result that time was wasted in explaining business practice in court and occasional injustice was done. To meet these complaints the judges of the Queen's Bench Division decided in 1895 that commercial cases should be put into a special list and assigned to judges with experience of that branch of the law. This so-called Commercial Court has continued ever since; it is not a separate division of the High Court but in the interests of speed it does allow various departures from ordinary procedure. Lord Justice Scrutton once said that he had known a writ issued on a Monday and the case heard on the following Wednesday—exceptional alacrity, no doubt, but an illustration of how the law can on occasions work if both parties wish it to do so.

In our last issue (page 48) we noted the decision of the members of the British Insurance Association and of Lloyd's to allow the insured to have questions of liability determined in the courts instead of invoking the arbitration clause in policies. The general trend, however, has been for businessmen in recent years to resort to arbitration for the settlement of disputes. In disputes of fact arbitration has undoubtedly many advantages, but when the dispute concerns a point of law, such as the construction of a contract, to start by arbitrating instead of going straight to the Commercial Court often causes delay and extra expense. This point was made by the House of Lords in a case heard some weeks ago and was emphasised recently by Mr. Justice Devlin. In a case in which the only issue was a short point of law he had taken an hour and three-quarters to reach a decision, but the proceedings had in all taken more than three years, for the matter first went before lay arbitrators and an umpire and had then been remitted to the umpire for further findings after he had given his award. His Lordship said that it was the undoubted right of businessmen to resort to arbitration if they so wished, but, if they preferred this tortuous and expensive process of settling their legal disputes, the time might come when it would have to be considered whether the continuation of the Commercial Court with its special facilities could be justified.

A subsequent letter to *The Times* suggested that his Lordship may not have had in mind two good reasons

why parties to international contracts often prefer arbitration. First, an English arbitral award can be easily enforced in many foreign countries, but the judgment of an English Court can be enforced only in a few countries. Second, arbitration is, as a rule, freely open to nationals of any country, but not court proceedings, as heavy security for costs is often required. There seems to be a case here for some diplomatic activity after business interests have been consulted.

Accountants' Liability Policies—A Misunderstanding

WE MENTION IN the previous Professional Note the decision of the British Insurance Association and Lloyd's underwriters not to invoke the arbitration clause in insurance policies, other than marine, on points of law, but to allow their insured to take these points to the courts.

There seems to be a mistaken notion around that this decision will affect members of the accountancy profession who have claims under accountants' liability policies. One of our contemporaries suggests that an accountant, to establish a claim under one of these policies, may have to go to open court to prove that he has been negligent, and will thus face much undesirable publicity, whereas until now he has been able to put the issue to an arbitrator within closed doors. Not so. Accountants' liability policies do not contain an arbitration clause and the decision of the British Insurance Association and of Lloyd's has no relevance to these policies. The policies contain, almost invariably, not an arbitration clause, but something quite different, the "Queen's Counsel clause." Under the Queen's Counsel clause the underwriters agree to pay a claim within the policy without requiring the insured to dispute it, unless a Q.C., to be agreed by both sides, advises that the claim could be successfully contested, and the insured agrees to the claim being contested, his consent not to be unreasonably withheld. In future, as in the past, this clause will be operative. There is nothing in the suggestion that accountants could previously resort to arbitration and in future will not be able to do so.

The Queen's Counsel clause was itself the subject of a recent court case, *West Wake Price & Co.* v. *Ching* [1957] 1 W.L.R. 45, on which we commented in our last issue (page 46). But this case had no bearing on the issue of arbitration. What it did establish was that the Queen's Counsel clause cannot be invoked by an insured if the claim against him is partly within the policy and partly outside it. In the particular case, the insured firm of accountants was insured against negligence but not against fraud and the claim was based on both negligence and fraud; the Judge held that in these circumstances the insured could not secure the benefit of the Queen's Counsel clause. The lesson seems plain. It is not that the case means—as our contemporary seems to contend it means—that the clause in itself forces the insured accountant into open court and thus fails of its purpose in protecting him. Rather, the lesson is that it behoves the accountant to obtain the fullest possible cover under his liability policy, so that the chances of a claim being outside it are reduced to the minimum. Specifically, the insurance should be not only against negligence of the accountant and his employees but also against fraud on the part of his employees, leaving only fraud by the accountant himself—against which he cannot insure—as an uncovered liability.

Capital Grants to Universities

THE PUBLIC ACCOUNTS Committee recently repeated a demand that the Comptroller and Auditor General should have access to the books and records of the University Grants Committee so that he could investigate the spending of non-recurrent grants. This demand the Treasury has now rejected, though some minor concessions are made to the P.A.C.

The Treasury regards as satisfactory the present methods by which the total commitments in any given year are fixed by the Government and by which the projects on which the money may be spent, together with their estimated cost, are approved by the University Grants Committee. As to ensuring that the universities spend the money economically, the Treasury considers that the action proposed by the Gater Committee (see ACCOUNTANCY for January, 1957, page 5) will suffice.

One concession made to the P.A.C. is that each university should formally notify its auditor of every non-recurrent grant received and the purpose for which it was made and should ask him to give a certificate in general terms to the effect that every grant of this kind received during the accounting period was duly applied to the purpose for which it was made.

Other changes will result in the provision to the Treasury by the University Grants Committee, on the basis of returns obtained from the universities, of quarterly statements showing payments for certain items in building projects, and these statements will be open to inspection by the Comptroller and Auditor General.

Footwear Costing

THE FOOTWEAR INDUSTRY is now added to the select few that have standard systems of cost accounting set out in book form. There has been published the *Manual of Cost Accounting in the Footwear Industry* (pp. xii +240, £2 5s. net from Incorporated Accountants' Hall). This work is the fruit of the labours of several years of a group representing the Incorporated Accountants' Research Committee and the Federated Associations of Boot and Shoe Manufacturers. It should quickly come into wide use in the industry and can be expected to make a significant contribution towards efficiency in production.

Incorporated Accountants in the Leicester area can take particular pleasure in the appearance of the book, for it was a small research group of the District Society there that originally took the initiative in pursuing the work.

To mark the publication of the manual, the Federated Associations

gave a luncheon in London on February 26. Among the speakers were Mr. Frank E. Webb, the chairman of the group responsible for the book, and Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A., President of the Society of Incorporated Accountants. The time factor prevents our publishing a full note this month on either the book or the luncheon, but we intend publishing one next month.

An announcement made by Mr. Webb at the function demands reporting without delay, however, and it is with pleasure that we report it. He is generously giving a sum of about £1,000 as a fund for the award of "Frank Webb Cost Accounting Prizes." The purpose is to "enlist in the cause of better cost and management accounting the more experienced minds of those persons associated with the footwear industry, who have passed their technical or professional examinations and have obtained a measure of practical experience." A prize will probably be given once every two years and will be £100 in money. It will be awarded to the writer of the best thesis on some aspect of boot and shoe cost accounting or management accounting as applied to the footwear industry. Candidates must be over twenty-five years of age, resident in Great Britain and Northern Ireland and members of the British Boot and Shoe Institution or of any accountancy or management body approved by a panel to be nominated annually by the Institution. The panel will also set the subjects for the theses, give any necessary instructions to candidates and judge the theses. Further particulars can be obtained from the secretary of the Institution at 35 College Street, Northampton.

Law for Businessmen

ENGLISH MERCANTILE LAW was largely created by the merchants themselves. In the eighteenth century it was given form by Lord Mansfield and his City of London juries and in the nineteenth century much of it was codified by statute. From this mercantile law there developed business law, but at the present stage of legal evolution the one kind of law is to be distinguished from the other, argues Mr. Clive M. Schmitthoff in a recent article. Mercantile law, he says, contents itself with the description of the positive rules of law regulating the organisation and transaction of business. Business law includes the practical application of legal principles, which must be related to their economic and social environment: it is a living thing and includes the law-creating activities of accountants and other sections of the business community. It follows that, just as mercantile law was created to meet the growing needs of business in the eighteenth century, so the complexity of modern business demands and is given new law, and although some of that new law is deliberately made by Parliament, much is also made, perhaps unconsciously, by businessmen themselves and then given recognition by the courts.

Mr. Schmitthoff writes as editor of a new quarterly, *The Journal of Business Law* (Stevens & Sons, Ltd., 7s. 6d. an issue, or 30s. a year post free). The journal should serve a useful purpose in discussing the changing pattern of law and pointing out the trends, in giving businessmen some guide for the future, and in putting forward suggestions for legal reform.

Compensation for Assets in Egypt

THE FOREIGN OFFICE has asked that those with financial interests in Egypt should submit declarations of assets held in that country. A member of the Society of Incorporated Accountants recently returned from Egypt informs us that the British Chamber of Commerce of Egypt and the Councils of the British Communities of Egypt have established a joint organisation, which is composed of residents from Egypt and is provided with expert assistance, to help individuals, firms and companies to prepare their declarations of assets for submission to the Foreign Office. The joint organisation will also subsequently press for compensation.

Forms for completion may be obtained from the joint organisation at 16, Catherine Place, Palace Street, London, S.W.1. (Tate Gallery 0425/6.) All declarations will be treated in the strictest confidence. It would assist if a copy of any declaration already submitted to the Foreign Office were also sent to the organisation, marked "private and confidential—claims."

Those assisted by the organisation are expected to subscribe towards its expenses up to a limit of 1 per cent. of any compensation received, but the contributions will very probably be much smaller.

Incorporated Accountants who, personally or on behalf of their clients, have interests in Egypt, may wish to make use of the services of the organisation.

Arabic Numerals and Cash Columns

THE STORY OF the Gobar or Arabic numerals now in universal use is of great historical interest. Originating in India, they were adopted by the Arabs of the Middle East and North Africa, and introduced by them into Spain and Europe generally. Most of the civilised nations of the west had accepted the new system of numeration by the 15th century, as may be seen from surviving almanacs and calendars.

Exactly when the Gobar numerals appeared in Britain is not certain, but the first English work to discourse upon the "new arithmetic" dates back to 1300, when Edward I was on the throne. It was entitled *The Craft of Nombrynge*. But for a long time after the appearance of this work the Roman numerals continued to hold their own, and it was not until towards the close of the 15th century that the Arabic notation is found in English accounts.

Interwoven with this development of a modern system of numeration was the equally important art of logical presentation of accounts. This, for many hundreds of years, received little attention. The usual manner of "stating an account" until the early 13th century was in the primitive form of a narrative, with figures hidden away in a mass of descriptive text. Towards the close of the same century there was a trend towards grouping together transactions of similar nature, and making summations of the groups.

At about the same time it began to be appreciated that inspection and

analysis—as well as addition—were greatly facilitated if money sums were entered in orderly fashion on the right-hand margin of the page. This idea—to us an obvious one—was further improved upon by reserving the right-hand margin for figures only. But it was still many years before the full advantage of the cash column came to be realised.

The gropings of the early bookkeepers are well illustrated in accounts of the City of London dating from the 14th century. In accordance with custom they were written in Latin or Norman-French and, here and there, the cash column can be observed struggling for existence. By 1401 at least one of the Livery Companies was keeping accounts in which the money details are extended clear of the narrative. By the time of Elizabeth I, the money column was becoming more familiar, and is to be found in Elizabeth's household accounts for 1531/2.

It was probably the accountants of the early chartered companies, such as the East India Company, who finally decided that the cash column was indispensable. They may also have hastened the adoption, for accounting purposes, of the "vulgar cipher" which, by the late 17th century, was almost everywhere in use.

Pioneer Associations of Accountants 6—South America

AS FAR BACK as 1836 Argentine had recognised and laid down certain rules for those wishing to adopt the profession of public accountant. Candidates had to obtain an official declaration of ability, to be Argentine citizens over twenty-five years of age and to pass an examination in law, arithmetic and accountancy. The examinations were held under Government auspices. But the number of public accountants was fixed at a maximum of only eight. A primary function of accountants, at that time, was to officiate in all legal cases in which an accountancy issue was involved. In 1863 the restrictive clause limiting the number of accountants was abolished. Instead of registering progress, however, the open profession began to decline, mainly as a result of the encroachments into accounting by notaries and solicitors. In 1892 the Argentine *College of Accountants* was formed with the object of resuscitating the profession and raising the examination and professional standards. Five years later the rules of the College were amended to permit foreigners, as well as native Argentinians, to enter the profession, and a system of examinations, based on those of the Scottish and English Institutes, came into force. By 1905 the *College of Accountants* had won the adherence of about one hundred members, and the profession as a whole began to play a more important role in commercial affairs, as distinct from purely legal ones.

In neighbouring Uruguay a decisive moment for the profession came in 1825, when the Tribunals of Justice first drew a clear distinction between the bookkeeper of former times and the public accountant. Uruguay was a new undeveloped country that had only just broken away from Brazil, and it was natural that all nationalities should be represented in the profession. Though the native Uruguayans predominated, there was a substantial minority of Argentinian, Spanish, French and Italian accountants. Despite the early beginnings, it was not until 1893 that a number of accountants banded together to form the *Colegio de Contadores Publicos*, a small, pioneering association which had attained a membership of only sixty-nine some ten years later. Candidates were required to obtain a university diploma, and the programme of studies included bookkeeping, civil and commercial law, liquidation of estates, and bankruptcy practice.

In Peru, an accounting body was formed in Lima, the capital, in 1900. This body was the *Instituto Technico de Contadores*, which admitted members of three classes: expert accountants and auditors; bookkeepers and accountants; and students. One of the principal aims of the Institute was to help provide public accountants and auditors.

Brazil has not produced any pioneer associations of accountants, and even at the present time there still seems to be no professional organisation in any way comparable with the British bodies. A very similar position obtains in Chile where, even at the beginning of this century, the merchants and businessmen were only just beginning to appreciate the value of the skilled services provided by accountants. That one looks in vain, for a "pioneer association" is perhaps not surprising since at that time auditing was very little known, and what auditing was done appears to have been done by men who can only be accurately described as "itinerant bookkeepers."

Rating of Charities

AS FORESHADOWED IN these columns, the application by local authorities of Section 8 (1) of the Rating and Valuation (Miscellaneous Provisions) Act, 1955, is likely to produce anomalies. This Section limits the rates payable on certain premises of charitable and similar organisations. But how interpret the central definition "any hereditament occupied for the purposes of an organisation (whether corporate or unincorporate) which is not established or conducted for profit and whose main objects are charitable or are otherwise concerned with the advancement of religion, education or social welfare"? The Association of Municipal Corporations has already done much to promote uniformity of treatment, but there is still much doubt and different opinions have been expressed by Counsel.

It is usually pretty clear whether an organisation is conducted for profit, or, alternatively, whether its main objects are charitable or concerned with religion, education or social welfare. But it is not so easy to say whether particular premises are occupied for the purposes of the organisation. A certain vicarage may or may not be occupied for the purposes of the church. Generally speaking, if the church requires the vicar to live in a vicarage nearby that is owned or rented by it the vicarage is probably occupied for the purposes of the church. It might be more difficult to establish that a caretaker was living in premises occupied for the purposes of the church and to avoid the

raising of a separate assessment upon his house.

A housing association whose main objects are charitable qualifies for relief on its offices, but the houses it provides may not qualify, for it can hardly be said that they are "occupied for the purposes of the organisation." Even "indirect occupation" by the association, if it can be established, is very unlikely to come within the terms of the Act. In distinction, almshouses specifically qualify by Section 8 (1) (b).

Shorter Notes

Wholesalers' Stocks

One of the widest gaps in our economic statistics is the lack of any good indicator of changes in the values of stock. The gap will be largely closed in future when large wholesalers provide voluntary returns of the value of their stocks. About 1,200 wholesalers are being asked to co-operate.

Fees of the Public Trustee

The Public Trustee (Fees) Bill, now before the Commons, provides that fees charged by the Public Trustee are to be fixed by orders made by statutory instrument ("fees orders"). The fees orders must prescribe whether each fee is to be paid out of capital or income. The Public Trustee is to have power, however, to direct that, with the consent of the beneficiary entitled to the income, if of full age, the fee should be paid out of income, even though stipulated in the fee order to be payable out of capital. Existing fees may be charged by the Public Trustee in certain defined instances. The charges will enable the annual expenses of the Public Trustee to be covered out of capital, as recommended by a committee last year (ACCOUNTANCY, June, 1956, pages 203–4).

The Monopolies Commission

The Board of Trade has appointed Mr. Andrew Black, C.B.E., A.S.A.A., as a member of the Monopolies Commission for three years. Mr. Black recently retired as adviser on financial administration to the British Transport Commission. He was previously for many years with Messrs. Thomson McLintock & Co., and served on the Board of Cable and Wireless Ltd.

Loans for Productivity

Most of the £700,000 revolving loan fund for industry has now been issued or is under negotiation. But the Board of Trade is able to consider further applications, as the fund is continually replenished by repayments of earlier loans. The fund was established three years ago as part of the American conditional aid programme (see ACCOUNTANCY, September, 1953, page 281, and August, 1954, page 293). It provides short-term loans, normally not over £30,000, for improving the efficiency of small and medium-sized manufacturers by up-to-date equipment and modern methods. Loans cannot be granted for building work, except for minor alterations required to accommodate more efficient machinery. The annual rate of interest charged is at present 5 per cent. Further information is obtainable from the Board of Trade, I.M.2 Division (Revolving Fund for Industry), Horse Guards Avenue, London, S.W.1.

New Statistics of Spending

A salient conclusion to be derived from the new quarterly series of statistics of national expenditure is that consumers spent about the same amount in the first nine months of 1956 as in the corresponding period of 1955, measured in real terms. Previously there had been increases since 1952. Fixed capital formation, totalling £2,248 million at current prices, was three per cent. larger in the first nine months of 1956 than in the same period of 1955, inclusive of depreciation allowances and in real terms. The expenditure figures indicate that the gross domestic product increased by about two per cent., again in real terms, between the two periods, but the actual increase may have been somewhat smaller.

Variation of Trusts

The Law Reform Committee has been asked by the Lord Chancellor to consider whether any alteration is desirable in the powers of the Court to sanction a variation of the trusts on a settlement in the interests of beneficiaries under disability and unborn persons, with particular reference to the decision in *Chapman* v. *Chapman* [1954] A.C. 429.

An Accountant at the Post Office

It is good to see his accounting training coming out in the first days in office of the new Postmaster General. "Nothing is more irritating," said Mr. Ernest Marples (who is an Incorporated Accountant) "than not being able to check the 'phone bill sent to you." Mr. Marples, who was speaking at a chamber of commerce meeting, added that he would like to introduce a system to enable bills to be checked. All power to his auditorial elbow!

Office Machines on Show

The National Business Efficiency Exhibition is to be held at Olympia, London, from June 17 to 27. The exhibition will be the largest of its kind ever held in the country. Incorporated Accountants who wish to attend can obtain their tickets by applying to the Secretary of the Incorporated Accountants' London and District Society at Incorporated Accountants' Hall.

Grants for Farm Modernisation

As part of the new policy for agriculture, the Government proposes to make grants at a flat rate of $33\frac{1}{3}$ per cent. for farm improvements. Work that will attract a grant includes the erection or altering of permanent farm buildings other than dwelling houses; making farm roads and bridges; the electrification of farms; preparation of pens for sheep and cattle; reclamation of waste land; removal of hedges and obstructions; claying and marling. Repairs will rank for grant only if they are necessarily associated with improvements. Among the conditions is one that the work must contribute materially to the efficient working of the farm and give a reasonable return of profit to the occupier. The grants will be payable to landlords, owner-occupiers and tenants. If the projected legislation receives the Royal Assent before the summer recess, all applications for grant will be accepted from about the beginning of September, but to reduce delays it is intended that the provisional proposals for work under the scheme should be received and considered in advance some time after Easter.

Recording the Candle-Ends

In these enlightened days of rounding-off in published accounts, when the smallest company is usually content to show its figures to the nearest pound and some larger ones go to the nearest thousand pounds, it is odd to find that in the *National Debt Return* (Command 48) the British Government solemnly sets out the amount of the 1945 American loan as $4,081,113,598.67—correct to the cent. It is clear enough that the Americans intend no leniency towards their debtors, but even the least Anglophilic of Congressmen is unlikely to be cent-conscious.

EDITORIAL

Town Hall and Whitehall

THE local councils have been running most of their finances on a joint account. The central government, the other holder of the account, has been a far from passive signatory. Grants from the Exchequer outweigh, in the proportion of six to five, the revenue received by the councils from their own sources, the local rates, and the grants have been forthcoming only on a meticulous accounting. Thus over a wide range of their activities the councils have been not so much principals as agents. Financial subservience has drained the individuality and vitality from local government. The council chamber has too often been used as a briefing room for deputations to Whitehall. Council committees have worked to two sets of standing orders—their own formal rules and the more constrictive papers postmarked "London, S.W.1."

The compelling reason for a re-casting of local finances has therefore been the need for less financial dependence on the centre. Judged in relation to this need, the plans now broadly and briefly announced by the Government have in them some virtue and more promise. Most of of the virtue lies in a far-reaching change by which specific grants for many of the particular services of the local authorities are to be replaced by a general grant. Instead of giving sums earmarked towards the costs of education, of child care, of the local health services, of the fire brigades and of other smaller services—sums usually computed as percentages of the total costs of the service—the Exchequer is to hand over to each council a lump sum, leaving its allocation to be fixed by the council. Specific grants now come to some £508 million a year; of this amount, some £279 million is to be transformed into general grants. The remaining £229 million will still be in the form of specific grants, principally for houses and roads. Thus the councils will have much wider discretion than they have had in recent years. In a rough sense, there is to be a reversion back to the system of a generation ago, in that the general grants will be similar to the "block" grant of 1929.

The transfer from specific grants to the general grant brings problems with it. The general grant is to be "fixed in advance for a short period of years." If, then, the curve of expenditure of the local authorities continues to mount, whether because there is still inflation or not, it is highly possible that the rate poundage will have to rise also—but more financial autonomy is one thing, and more financial autonomy at the cost of an increased rate in the pound is quite another. Further, the general grant is to be distributed among the authorities "by reference to objective factors (mainly of weighted population) which are readily ascertainable and afford a fair and reasonable measure of the relative needs of each authority." What is to be the magical formula that will embalm these factors? The history of the Exchequer Equalisation Grant shows that weighting by children and other characteristics of the local authorities is a procedure fraught with complication and difficulty, while measuring needs is something that continually eludes ingenuity. One improvement now to be made, however, is that while the equalisation grant will still be paid, urban and rural district councils will receive it from the hands of the Exchequer, not via the county councils as heretofore. By this change, the anomaly inherent in the previous system, that the mathematics of the grant resulted in a disproportionately large part going to the richer district councils and a disproportionately small part to the poorer ones—an anomaly first pointed out by a research working party set up by the Incorporated Accountants' Research Committee and other bodies some years ago—will be removed.

On the face of it, the remaining part of the announcement by the Government might suggest that the local authorities are to be enabled to raise more for themselves from a given rate poundage. If that were the correct interpretation, a first welcome step would have been taken towards reversing the long-lasting trend from rates to grants. It is this interpretation that is prompted by the proposal to raise from 25 per cent. to 50 per cent. the proportion of its rateable value on which industry is to pay rates. However, the hard fact is that the total of all rateable values in the country will remain exactly the same as it was in 1956/57. The inroad into the de-rating of industry and the revaluation of Crown property will together add only what is being taken away by the 20 per cent. reduction in commercial rateable values. The pattern of rating will be odd in the extreme—occupiers of shops and offices will pay at 80 per cent. of full strength, so to speak; industrialists at 50 per cent., and farmers, who remain completely de-rated, can ignore the whole thing. Householders will pay at 100 per cent., but on rateable values at 1939 levels, instead of the current levels at which other rated property is valued, so that in effect domestic rates will be paid at much below full strength. It is the very oddness of this rating pattern that holds the promise, as against the present virtue, of the new dispensation. The next round of reform after this one ought to carry to the limit the principle, now faintly murmured under the official breath, that de-rating is anomalous—a principle meaning also that variations in the basis of valuations are anomalous. If by such a reform—accompanied by a compensating reform in the structure of central taxation—the pool of rateable values were greatly enlarged, a really decisive step towards local autonomy would have been taken. Here—not in finding other imposts for them to levy—is the main hope for the future of the councils.

Our contributor, dissatisfied with the state of agricultural accounting, suggests ways in which the accountant could do a better job for the farmer. If the accountant does not improve his service, it will be his loss.

Where Accountants Lag

Shortcomings in Farm Accounts

by Ancrum Evans, F.C.A.

AGRICULTURAL ACCOUNTS ARE a neglected subject. I make the statement advisedly. During the past two years, I have had the opportunity of examining some 200 farm accounts. My own experience that accounting in agriculture lags badly behind accounting in any sphere of activity comparable in size and importance was supported by at least two speakers at the conference of the Agricultural Economics Society held a few months ago in Harrogate. One speaker, indeed, urged that it was necessary to provide instruction for farmers on the nature and method of keeping accounting and other information.

For the most part, agricultural accounts are prepared almost solely for tax purposes. The cause is no doubt historical; for many years the farmer enjoyed the privilege of being assessed for tax under Schedule B, so that unless he wished to take advantage of loss claims he could live a life care-free of paper work. Even now, many farmers have only limited requirements from the outside world and some are still self-sufficient enough not to need to keep records for business reasons. A man who has done a good day's work in the fresh air, using not only his brawn, but also his brains, is by no means inclined to do office work in the evenings, and the great majority of farm units are too small to employ clerical labour, even if it were not in short supply.

Farmers, then, often send in their records incomplete or late or both, and expect the final accounts to be turned out as cheaply as possible. Small wonder that mutual disinterest develops and that agricultural accounting practices (my own included) leave much to be desired. Until recently the banks, for their part, relied mainly upon roughly drawn-up statements of affairs, called bankers' balance sheets, prepared with, or without, the bank manager's assistance.

Farm Costing

As for agricultural costing, the work is very largely outside the profession. It has been absorbed by the agricultural economists. Their valuable work is conducted in the patronised atmosphere of scholastic research. Perhaps, indeed, it is to the good that the commercial calculus has not been too strictly applied in determining what costing work should be done. Wye College in Kent has ceased to operate its farm costing account system, because it was estimated to cost the College £250 per farm—an indication of the expense of conducting the work that is continuing. In conjunction with the agricultural economists, the National Agricultural Advisory Service does work in costings, frequently using the professional accountant's balance sheet and accounts as the raw materials of the calculations. N.A.A.S. officers, who are now increasing the scope of their work, do an individual job with a standard technique. They bring technical knowledge and experience which no accountant can have. But the results are, to an accountant's mind, an incomplete guide. The future here lies, I believe, in improved liaison between accountants and N.A.A.S. officers. S. V. P. Cornwell, F.C.A., and Arthur Jones, M.A., have shown the way in their valuable joint article, published in ACCOUNTANCY for October last (pages 387–91). If the improved liaison does not come to pass, professional accountants must not complain if accounting work proper eventually passes into hands outside the profession.

So far, however, it is only the minority of farmers who are taking advantage of the N.A.A.S. service and more often than not it is the accountant, if anybody, who can improve and use farming accounts. In doing so, he would do well to base himself on the principles and information in the pamphlet *The Farm as a Business* prepared by the Ministry of Agriculture (H.M. Stationery Office, 4s. 6d. net). Further basic information, usually necessary for comparative purposes, is either published by the agricultural economists at the universities, or can frequently be obtained from them. Both the officers of the N.A.A.S. and the agricultural economists are, in my experience, only too willing to co-operate with any accountant.

Summing up, then, agricultural accounts as prepared by the profession are not up to much; another profession has, broadly speaking, moved into the field of agricul-

tural cost accounting; and now either we need to consider what the accountancy profession is going to do about keeping accounts for farms, or alternatively, we leave the way open for some new breed of professional man who will do the job instead. Obviously, most people in the profession would prefer the first of these two courses. We must set about to do a better job—but how?

How to Improve the Job

The first consideration must be the clerical effort available—either from the farmer himself or from others. If the clerical work that can be done is negligible or near-negligible, we should try to prevent the keeping of any financial books at all, other than those noting the very minimum of petty cash transactions. Banking intact moneys received and paying by cheque ensures that everything is recorded. In my opinion, it is far cheaper in professional effort to prepare a set of account from basic records than to have to correct books that are wrong and then to prepare the accounts from the corrected books. If, however, clerical effort of more than indifferent quantity and calibre is available, then the first step must be a reconciled bank cash book. In other words, the village girl, the farmer, his wife, or whoever it may be, has to be taught how to reconcile the bank. Without instruction, few of them know how. Once this stage is reached, it is a fairly simple matter to extend the work to analysis books, analysing firstly the various items under main heads and then the main columns into sub-analyses as required. This work is simple and is within the capacity of the village girl who has just left school. Ledgers and trial balances are to be avoided—the agricultural time cycle is long and it is simplest to measure the results progressively and annually.

The essence of good accounts lies in the detailed analysis of the original figures, and the remarshalling of the analysed figures into a few significant ones that are shown off together in a main account. Much too often, farm accounts consist of lists of opening stock, closing stock, income and expenditure, and it is virtually impossible to see the position without getting out a pencil and paper. The purchase and sale of animals out of a breeding flock or herd will not be of an annual pattern. For instance, in some years the replacements will be home-bred, whereas in other years for some reason or other they will be bought-in, and it follows that sales and puchases in themselves have little significance. It is, therefore, desirable to show in separate summary accounts the four figures of sales, purchases, opening and closing stock for each main trading item, and in this way to arrive at the crude surplus. The agricultural economist calls this surplus the "output." We should do the same. We need, however, to appreciate that the valuations are a major factor in determining this figure, and that there is frequently a considerable discrepancy, plus or minus, between the value of an animal in stock and the price at which that animal may eventually be sold. However, it is fair to say that the output figures are roughly comparable, taking one year with another, and it is useful to set the output of this year against that of last year and of earlier years.

The items of "inputs" may be treated in a way similar to that suggested for the outputs.

The farming and profit and loss account should be divided into two parts in precisely the same manner as any other trading account. We have the farming items above the line and the profit and loss items below the line, and at the point where we draw the line we calculate what one might call elsewhere the gross profit.

The revenue is easy to marshal; it falls naturally under the main heads of output from livestock, from crops (each in their categories), and, if any, from fruit (distinguishing between hard and soft fruit and such items as hops). On the debit there are the four items of farm purchases or inputs—feedstuffs, seeds, poisons or sprays, and fertilisers.

It is a most unfortunate thing that, while the vast majority of accountants would agree that poisons and fertilisers are a direct and variable expense in the production of grass, corn and other crops, the agricultural economist takes the opposite view. His argument is that the purchase of feedstuffs and seeds is virtually a process of borrowing additional land and, therefore, as he is interested in calculating an output figure per farm, he must deduct only these two items above the line. Whilst one can sympathise with this approach for purposes of statistical comparison, as accountants we should exercise freedom of decision about where the line should be drawn in the farming and profit and loss account. For to us, surely, the place of any item in a trading or profit and loss account is determined by its inherent characteristics—its size, its variability and its directness.

Below the line, overhead expenditure can be collected together under the four main headings of labour, operating and maintenance, management and estate expenses. The lack of flexibility in the number of men that can be employed, together with the absence of time records, usually dictates that labour will be treated as an overhead, and it will usually be found that it forms well over a half of the overheads, if not as much as two-thirds. In the operating and maintenance group of expenditure will come contractors: the agricultural economist might well prefer to show this item, if its size is at all significant, under a separate heading—I would myself agree, on the grounds that the contractors bring labour on to the farm, as well as machines.

A useful sub-heading is stores. It is frequently possible to split expenditure under this heading into its functional departments—dairy stores, fruit stores (chips and boxes), crop stores (binder twine and the like), and so on.

Crucial Missing Figures

So far, so good, but we have left out the most important entry, because it is not shown in the bank account or in the books, and the chances are that our client does not know the information either. The only thing to do, therefore, is to make an entry in our diary and remember to write to him next year asking him to note the figures that we require. The figures are these—the quantity and values of the home produced corn, hay, straw, kale and other

root fodder crops. So that we can reconcile these figures with the stock, we also want to know which of these items the farmer has fed to his livestock. Then we can account for the cost of the home-produced feedingstuffs fed to the animals; the valuation of grazing is too much of a problem and, for this reason only, I leave it out. Even so, it is a good start to deal with the proteins and other feeding stuffs that are harvested. One can almost hear the roar of protest that this treatment is impossible—so it is, but only until the client has been convinced that the information is necessary. It is our job to convince him. Frequently a few rough calculations based on what he says he has grown, what you know he has sold and what he has got left will show (at a reasonable farm gate price out) that he has made a loss on his livestock, or failing that, not profit enough—and he can be convinced that way.

Let me give a few figures to illustrate the need to convince the farmer on the point. Considering only protein feedingstuffs, that is, corn, Table I, based on figures kindly supplied by F. G. Sturrock, of Cambridge University, shows the position.

TABLE I
COST AS A PERCENTAGE OF TOTAL COST

	1954/55 *Bacon pig*	1952/53 *Hen at point of lay*	1952/53 *Eggs*	1953 *Heifer at point of calving*	1953 *Milk*
Cost of Concentrates	81	64	68	61*	54

* 11 per cent. is milk or milk substitutes.

For eggs and milk, we have also to allow the provision for the loss of value of the hen or the cow, and that loss of value is in part a loss of value of an outlay that originally took place in the form of concentrates. So for eggs we should add, say, a further 12 per cent. to our figure of 68 per cent., making 80 per cent. in all. For milk, we should add, say, 2 per cent. to the 54 per cent., making about 56 per cent. When we consider all the other expenditure involved, we can see that the margin after the feed costs have been met is small, and it requires only a small inefficiency in the use of the feedingstuffs for a profitable activity to become an unprofitable one. Now, if the whole of this very substantial expenditure were bought-out by the farm, all would be in order, but, as Table II illustrates, it is quite possible that a third or even a half or even more of the cost of animal products will never (on the basis of accounting in question) be reflected in the financial accounts at all. Not only so, but the crop revenue is shown up in a very bad light.

Budgeting

Historical costings and historical comparisons do not go the whole way. Professional advice is incomplete if confined to an examination of the past. Faults discovered may be incapable of correction in time or to correct them in the face of the delay may be too costly. In agriculture, the long time cycle of production makes it particularly important to have early warning of how things are going wrong. Further, the seasons dictate that certain operations can be performed only at certain times—if an opportunity is missed of putting matters right, anything from three weeks to one year may be lost.

Thus budgeting is necessary if the farmer is to receive the best advice. The few accountants who are now budgeting for farmers mostly work on the same lines as the N.A.A.S. The method is to take a set of normal historical accounts, to recast the information to bring out the essential figures, and then to "normalise" the accounts. "Normalising" means adjusting the figures to remove known abnormalities for the year under review—in effect, producing a standard account for the year. Variations are then made for known and estimated changes in efficiency, market prices and other factors in the period of the budget. This "profit and loss" budgeting allows for an estimate, in very broad terms, of the working capital requirements, but it is to be noted that it does not budget for cash. Here is a defect, for in farming the cash flux may be as much as 20 per cent. of output, while the ratio of investment in tenants' assets to annual output may well reach 3 : 2. The N.A.A.S. system of budgeting has been evolved primarily by agricultural economists, and it can be applied by N.A.A.S. officers without any assistance from the accountant. The profession ought to be seriously thinking about whether this state of things, and the budgets in which it results, are really good enough: certainly, improved and workable methods of budgeting are to hand.

TABLE II
FEEDSTUFFS

	Size Acres	*Total Foods* £	*Purchased* £	*Home Grown* £	*Percentage*
	60	1089	498	591	54
	168	2170	641	1529	70
Dairy	225	4967	2840	2127	43
	238	6462	5540	922	14
	308	5295	1713	3582	68
	46½	1702	1303	399	23
Pigs and	84½	1457	1202	255	18
Poultry	291	5884	2365	3519	60
	135	1725	822	903	52
	280	4748	2447	2301	48
	245	2104	523	1581	75
	252	3654	2476	1178	32
Mixed	650	8081	4315	3766	47
Livestock	212	3036	2077	959	32
	225	1634	132	1502	92

(Extracted from figures kindly provided by Cambridge University.)

Fees! Yes, fees are the final trouble. Many farmers are charged so little that it is virtually impossible to pay adequate wages to the accountant's staff and to provide proper professional service. Further, perhaps one in six of the farmers has a bare subsistence income; he farms a unit too small, with too little capital and indifferent equipment. Our remedy, at least in the first instance, must be to select from our clients those who can and will benefit from extra advice. Eventually prosperous clients will make their advisers prosperous too!

In recent years much work has been done on the problem of keeping the stocks of a business at the optimum level and fixing the economic volume of orders. This article sets out the salient results of the work, including some original research of the author. The mathematics has been put in the simplest terms that the subject allows.

The Control of Stocks

by J. H. Hepburn, Nobel Division, Imperial Chemical Industries Limited

1. Introduction

STOCKS ARE HELD at a number of stages in industry: as stocks of raw material, as process stocks at some intermediate stage of production, and as stocks of completed product. These stocks act as a buffer between supply and demand, thus allowing plant to be run more steadily and more efficiently, and orders to be met more promptly. But it costs money to hold stocks, so that the problem in stock control is to decide how much stock to hold for an uncertain future. Supplies may be irregular or batchwise and demand regular and continuous, or demand may vary and supply be regular, or both may vary. The various problems that may arise are essentially of the same type and although, because of the many other closely related questions of supply, production planning and distribution that must be taken into account, a ready-made solution will not be available for every likely problem, the use of fairly straightforward statistical methods can go a long way to showing the optimum size of stock to carry in a given set of circumstances. It is my intention in this paper to consider stock control in a very general sense, but I shall give a brief account of some particular problems that have arisen.

Since the early 1920's there has been an increasing amount of literature on stock control, written in the earlier days by economists and more recently by mathematicians employing refined mathematical theories to solve some typical problems. Although not much on stock control appeared in the literature before 1920, it was generally accepted that both understocking and overstocking could be costly. Obviously if there were no penalty for understocking, no stocks whatever would require to be held and there would be no problem. If there were no penalty for overstocking, such large stocks could be held that no possible future occurrence would deplete them and again there would be no problem.

As an example of the penalties in stockholding, consider a restaurant proprietor who buys perishable food for the day. If he buys too much it will be spoiled and he will suffer a loss. If he buys too little he will have to turn away customers unsatisfied and thereby lose potential profit on the day and perhaps customers for the future. Somewhere he must find an economic balance between the stocks necessary to supply every possible customer and those to supply only the minimum number of customers likely to enter his restaurant.

2. Factors Determining the Size of Stocks

Let us now consider some of the factors determining how much stock should be carried.

(a) *Demand for Product*

The demand for stocks of a completed product is usually out of the producer's control and so reliance must be placed on past experience to estimate the demand. Stock control cannot be divorced from sales forecasting. Sales forecasting techniques must be used to determine whether the demand is likely to be regular, at random or seasonal, so that preparations can be made for possible fluctuations between supply and demand. It is advisable to determine the probability distribution of demand. In practice this may not be readily expressible analytically and recourse must then be made to sampling experiments (by what are called "Monte Carlo" methods).

(b) *Time Goods are in Process*

When orders are always supplied from stock immediately on demand it should not be necessary to take into consideration the length of time the product spends in the manufacturing process. Usually, however, the variation in delivery dates is such that some orders must be supplied from stock while others can be manufactured to order. Problems of production planning then arise—it must be determined what proportion of orders are likely to be supplied from stock and how much can be made to order.

(c) *Supply Conditions*

Just as the probability distribution of demand must be determined, so must the probability distribution of supply. In effect, the probability distribution of supply takes into account variability of delivery dates and variations in time about the promised delivery dates. Variations in supply of raw materials may cause a hold-up in produc-

tion which, as well as causing large monetary losses, will affect stocks of the completed product.

(d) Terms of Purchase
Rebates are often allowed for bulk buying and although sometimes these rebates appear very attractive, the question of how the rebate is balanced by the cost of storage of the extra stock must be gone into very carefully.

(e) Cost of Making an Order
Every order requires clerical time, stationery and postage. If these costs increase, the cost of stocking will increase. If an attempt is made to balance increased costs of making an order by making fewer orders, larger stocks will require to be held, and a point of balance must be found that minimises the cost of holding stock.

(f) Price
If prices tend to fluctuate there is often a conscious attempt to play the market and stockpile when prices are suitable. The savings due to buying at low prices must be balanced against the cost of keeping large stocks. But the lower the prices, the less the capital tied up and the lower the insurance premiums.

(g) Operating Economy
To minimise costs such as those on machine set-up it may be cheaper in the long run to build up large stocks of a product from time to time.

(h) Costs of Storage
Costs of storage can be very high. Warehouses and stores are costly to build and maintain. Transport costs from factory to warehouse and warehouse to customer have to be incurred. The larger the stocks the higher the handling costs.

(i) Risk of Fall in Price, or Obsolescence
Although in present conditions there is not much likelihood of a fall in price there is always a likelihood of a product becoming obsolescent. The greater the amount of capital tied up in stocks the greater would be the loss.

An attempt must be made to balance these factors in terms of cost and so to determine the optimum size of stock. The relationship between the size of stock and any one factor is often vague and even impossible to determine precisely. There is more than a mathematical relationship and experience may have its part to play in deciding what stocks to carry. While a statistical treatment will yield an answer giving the optimum size of stock compatible with a given policy and may also go some way towards indicating the most economical policy, there must remain some risks which only an experienced judgment can assess. Some risks may never be assessed accurately—for example, the possible loss in trade and goodwill that might arise because of an inability to fulfil an order. In such cases the more usual approach is to ignore the cost of running out of stock and to keep the risk to a very low level. But that approach is to be avoided if possible.

3. Cost of Holding Stocks

The cost of holding stock will depend on the amount of capital tied up in stock, on the cost of storage, handling and transport, on obsolescence, on deterioration and so on. Some American concerns have quoted the annual cost of holding stock as 25 per cent. of the value, made up as follows: obsolescence 10 per cent., loss of interest on capital 6 per cent., deterioration 5 per cent., handling $2\frac{1}{2}$ per cent., transport $\frac{1}{2}$ per cent., taxes $\frac{1}{2}$ per cent., insurance $\frac{1}{4}$ per cent., storage $\frac{1}{4}$ per cent.

We need not necessarily assume that American experience holds here and we may consider that, with reasonable turnover, factors such as deterioration and obsolescence may be ignored. Opinions vary regarding the cost of money tied up in stocks. At least it is the overdraft rate of 6 per cent. per annum and at most it is equal to the return expected on a capital investment. If the normal return expected on a capital investment is of the order of 15 per cent. per annum and to this is added other costs of holding stock, such as those of handling and insurance, the American figure of 25 per cent. per annum may not be such an overestimate as it would at first appear.

With the cost of holding stocks so high, it is quite apparent why the reduction of stocks to the minimum compatible with maintaining adequate service to the customer is so important.

4. Optimum Ordering Quantities

There are two methods of ordering supplies of stores items; firstly, to order at fixed intervals enough of the particular item to bring stocks up to a pre-determined level and, secondly, to order fixed amounts when stocks fall to a certain level. If, in the first instance, the intervals of time and, in the second instance, the fixed amounts, are chosen carefully, the average amount of stock held by either method should be the same. In each instance the pattern of demand must be estimated. In the first, the level up to which stocks are brought represents the total amount of the particular item likely to be required during the fixed interval; in the second, the level of stocks at which an order is placed represents the amount of the particular item likely to be required between placing the order and receiving delivery against it. The method to employ should be the one that minimises the cost of holding stock. In conditions most frequently prevailing—that is when the order-receipt period is not more than half the average optimum period between making orders (as determined below) and when the cost of making an order is more than one-twentieth of the annual cost of holding one item—the second method will entail lower costs. At the critical level when there is nothing to choose, financially, between the methods, the second method is to be preferred, as it usually depends on the assumed pattern of demand being maintained for a shorter period than the corresponding period under the first method. Any deviations from the assumed pattern of demand will therefore have a small effect under the second method than under the first.

Considering the second method, it is seen that stocks

at any time can be taken as made up of two parts: a buffer stock, being the quantity on hand when orders are placed, and an active stock varying from zero to the amount of the order placed.

A mathematical formula for determining economic ordering quantities has been derived independently by a number of authors. The total annual costs involved in ordering and carrying stocks (K) over a year are given by this formula, thus:

$$K=\left(B+\frac{Q}{2}\right)I+\frac{Y}{Q}S \quad \ldots\ldots\ldots\ldots\ldots (1)$$

where B = buffer stock, that is, the level at which more stock is ordered;
Q = ordering quantity;
I = cost of holding stock;
Y = expected yearly sales;
S = cost of placing an order.

From (1) the optimum purchase quantity that minimises costs can be obtained (by differentiating K with respect to Q and equating to zero). This quantity is:

$$Q=\sqrt{\frac{2YS}{I}} \quad \ldots\ldots\ldots\ldots\ldots (2)$$

The formula does not take into account factors such as discounts for large orders. R. H. Wilson* discusses very fully in what circumstances the formula should be departed from.

5. Calculation of Buffer Stock

The ideal size of buffer stock would be the one that provided just exactly the amount likely to be requested during the order-replenishment period. However, variations in number of demands and in delivery times are bound to occur in the order-replenishment period and the buffer stock must be large enough to allow for these variations. Firstly, the pattern of demand must be determined. When demand is at random the pattern is frequently found to approximate to the Poisson probability law. A rough method of checking a Poisson distribution is to calculate the sum of squares of deviations from the average. If this sum is found to be equal to the average, then it can be assumed that the pattern of demand is a Poisson distribution. In that event the buffer stock, B, is taken as $B=D+a\sqrt{D}$, where D is the average demand during the order-replenishment period and a is a factor depending on the chance that one is willing to take of running out of stock. (For example a is equal to 2.33 if the chance of running out of stock is taken as 1 in 100 times.)

If there is any variation in delivery times it must now be determined. Very often the frequency distribution of delivery times is found to be approximately normal. The easiest method of checking whether it is normal is to plot the cumulative frequencies on probability paper. If the plotted points fall on a straight line the distribution can be taken as normal and the probability of delivery after any number of days can then be read off directly.

*R. H. Wilson: "Stock Control"—*Railway Purchases and Stores*. March/May, 1943.

Finally, the cost of running out of stock must be determined, as the level of buffer stock chosen must be such that the annual cost of holding stock plus running out of stock is a minimum.

6. Example

As an example of the method of solution, suppose we require to find the optimum purchasing quantity and buffer stock of items costing £10 each and for which the average annual demand is 50. Suppose the cost of making an order is 5s., that the cost of holding stock is 15 per cent. per annum of the value of the stock and that the cost of running out of stock is £100. Suppose, further, that the average order-replenishment period is 13½ days, delivery dates vary between 10 and 17 days, and when the cumulative distribution of delivery times is plotted on probability paper the plotted points are approximately on a straight line, so that the frequency distribution can be assumed to be normal. Suppose, finally, that demand during the replenishment period can reasonably be expected to be at random, the average requirement during the 14 days delivery period being 2.

Firstly, application of the optimum purchasing quantity formula gives

$$Q=\sqrt{\frac{2\times 50\times\frac{1}{4}\times 100}{10\times 15}}=4.1 \text{ approximately.}$$

It is obvious that fractions of an item cannot be purchased and so 4 items would be ordered on ten occasions during any one year and 5 items on the other two occasions that orders would be placed.

Ignoring the cost of ordering, the cost of holding stock will be

$$\left(\frac{4.1}{2}+B\right)\frac{15\times 10}{100}=3.1+1.5B$$

The number of orders placed per year will be $\frac{50}{4.1}$ (or nearly 12). Therefore, if B is taken so that we run out of stock on the average once in every y years, this is equivalent to once in every $\frac{50y}{4.1}$ replenishment periods. The annual cost of holding stock and running out of stock during this period will then be $\frac{100}{y}+3.1+1.5B$. In effect we require to minimise this cost.

We now prepare a table as shown on the next page. In the first column of the table we write down all the order-replenishment periods that occurred, in our example 10 to 17 days. In the second column we enter the probability of each of the order-replenishment periods. These probabilities are obtained either from the plotted line drawn on probability paper or by a direct calculation from the parameters of the normal distribution. Column (3) is the average demand expected during each order-replenishment period and in column (4) we write down the probability of demands greater than certain specific demands being received when the average demand is that shown in column (3). These probabilities may be obtained from tables or curves of the Poisson distribution, or they may be calculated, as they were in the example. We then

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CALCULATION OF PROBABILITY OF RUNNING OUT OF STOCK

(1) Order-replenishment period	*(2)* Probability of such an order-replenishment period	*(3)* Average demand during order-replenishment period	*(4)* Probability of demand of more than				*(5)* Column (2) × Column (4)			
			5	6	7	8	5	6	7	8
10 days	0.00135	1.5	.00445	.00092	.00017	.00003	.000006	0	0	0
11 days	0.02145	1.65	.00696	.00168	.00041	.00005	.000149	.000037	.000009	.000001
12 days	0.1359	1.79	.01015	.00252	.00057	.00013	.001379	.000343	.000077	.000018
13 days	0.3413	1.93	.01416	.00374	.00087	.00017	.004833	.001277	.000297	.000058
14 days	0.3413	2.07	.01922	.00544	.00137	.00032	.006560	.001858	.000468	.000109
15 days	0.1359	2.21	.02541	.00766	.00206	.00052	.003453	.001041	.000280	.000071
16 days	0.02145	2.35	.03274	.01043	.00294	.00074	.000703	.000224	.000063	.000016
17 days	0.00135	2.5	.04198	.01415	.00421	.00110	.000057	.000020	.000006	.000001
					TOTALS		.0171	.0048	.0012	.00027

multiply column (2) by column (4) and write down the answer in column (5).

This is a trial and error method and for the particular demands in column (4) we can start with any numbers we want. In this example the probability of a demand of more than 5 was determined, since 5 is double the average demand expected during the greatest order-replenishment period. Having chosen a first value we then choose another which should be either one more or one less than the first value. In this example the second value chosen was one more than the first (namely 6) and the totals in column (5) then gave the probability of running out of stock with a buffer stock of either 5 or 6 (and so on).

The probability of running out of stock with a buffer stock of 5 is 0.017. Since about 12 orders would be placed per year this is equivalent to running out of stock once every 4.8 years. The total annual cost of stockholding, including running out of stock, would then (by the formula $\frac{100}{y}+3.1+1.5$ B=the cost) amount to £31.6. Similarly, with a buffer stock of 6, the total annual cost of stockholding would be £17.9. This is less than the previous amount and so we now carry out the same procedure for a buffer stock of 7. If the value had been greater then the first value we should have repeated the calculation for a buffer stock of 4.

The total annual cost of stockholding with a buffer stock of 7 is £15.1 which, again, is less than the previous figure obtained. The calculation for a buffer stock of 8 should then be carried out as shown in the table, but in fact there is no need to do so in our example as the cost of stockholding alone with a buffer stock of 8 would be £15.1 per annum irrespective of the cost of a stock-out. We therefore conclude that the most economic policy is to carry a buffer stock of 7.

7. A Production Planning Problem

In many types of manufactures, some plant or machine is used for a number of processes and in changing from one process to another time is lost owing to the machine having to be reset or the plant having to be cleaned out. Manufacture has to be carried out in campaigns. A stock of one product is built up, then the plant is changed over to another product. If the campaigns last too long, large stocks will be built up and the cost of holding stocks will be high. If the campaigns are too short, considerable production time will be lost in changing from one product to another. We require to know the best size of campaign.

Suppose:	Size of campaign	= x items;
	daily rate of production	= r items/day;
therefore,	campaign period	= x/r days.
	Average daily demand for product	= d items;
therefore,	difference between demand and production during campaign	= (r – d) items.
	Buffer stock	= b items;
therefore,	stock at end of campaign	= $(r-d)\frac{x}{r}+b$ items.
	Cost of holding stock	= £S/item;
	cost of changing from one campaign to another	= £c;
	marginal cost of manufacture	= £m/item;
	Annual fixed costs of manufacture	= £F;
	Assumed selling days in the year	= 260.

Total annual costs of manufacturing and stocking are, therefore,

$$K=F+260\ dm+\frac{260\ dc}{x}+sb+\frac{sx}{2r}(r-d) \qquad \text{.............(5)}$$

From (5) the optimum size of campaign can be obtained (by differentiating K with respect to X and equating to zero). It is:

$$x=\sqrt{\frac{2.260\ dcr}{s\,(r-d)}} \qquad \text{..............(6)}$$

This formula is very similar to that for optimum purchase quantities. (It should be noted that allowance is made for demand whilst the campaign was in progress. To be quite accurate formula (1) showing the cost of carrying stocks should also be reduced by the expected demand during the replenishment period.)

Generally, equation (6) solves the problem of how much

stock to carry. When stocks fall to zero a campaign of manufacture should be started and on its completion stocks should be allowed to fall to zero before manufacture is started up again. In particular instances the campaigns will require to be started when there is still some stock in hand. For example, if orders must be supplied immediately on demand, it will be necessary to hold a buffer stock for reserve.

To illustrate the procedure of deciding the size of buffer stock, suppose the manufacturing cycle is one day and that tests of the product take another day. During the first two days of the campaign none of the most recently manufactured products could be supplied and so the buffer stock must be at a level equal to the expected greatest demand over a period of two days.

8. Conclusion

This article has been mainly an introduction to the treatment of the problem of stock holding but it is hoped that the importance of keeping stocks to a minimum has been shown and that an indication has been given of how, by a fairly simple approach, the minimum level may be determined.

Accountant at Large

Retirement Age

THE BARRISTER WHO on New Year's Day announced his retirement at the age of fifty-five "because life is short and there are so many interesting things to do" must have touched off a great number of debates in the morning trains of January 1. And more than once in the following weeks the conversation has probably turned upon retirement again, as the main political parties seemed to be girding up their loins for a new welfare race towards the goal of national (and rational?) pensions for all. Pensions—and contributions—proportionate to income may indeed be too rational to be politically true, but we shall see.

Retirement is a topic full of mixed motives and thinkful wishing. That it is a privilege, whether it come at sixty-five, at sixty, or (in such callings as the police and the Armed Services) much earlier, is widely accepted as axiomatic. We look back to barbarous and not very distant days when men worked until they dropped, and count ourselves fortunate that times have changed; and only occasionally do we wonder—perhaps at the retirement festivities of a particularly well-preserved colleague—whether the prospect of pensioned ease really is such a good thing after all.

Since the war there has been so much talk of the ageing of our population that the under-forties in pensionable employments may well wonder whether their retirement will materialise as surely as their parents expected on entering their offspring in "safe jobs". More and more old people kept by fewer and fewer young, pension funds feeling the strain, and the national pension fund supporting the biggest burden of all: the prospect is alarming. The alarm cannot at once be dissipated by the more recent trend of thought—that a small annual increase in productivity will serve to look after us all, pensioners included, at something much better than our present standard of living.

As it works today in most employments retirement is a ridiculously inefficient business. Jones may well be ageing in his late fifties, and counting the days to his hard-earned rest, but Smith at fifty-nine is at the top of his form, revelling in his work, and of more use to his employers than two men half his age. Jones and Smith leave together, because rules are rules, because youth must be served, because there must be order in everything. Smith may indeed find himself useful secondary employment—for money, if his pension is not as much as he would like, or (to the great good of the community) in unpaid public service as councillor or Justice of the Peace. But his employers, even appreciating the value of serving youth, may wonder whether the arbitrary cutting off of so valuable a limb is not a rather silly proceeding.

Smith may wonder too, and may question his "privilege" when he sees his own former directors serving the shareholders cheerfully up to and even beyond the seventy of the Companies Act. If he looks around him he will notice, too, that accountants in private practice, solicitors and doctors and other "self-employed" men never seem to retire at all. Many of them protest that this is only because they can't afford to, that without the benefit of an organized pension fund it is impossible for anyone to retire in Britain today. But this is only half the truth: a great number of them stay on because they like their work much too much to leave it when they are still fit and well.

Perhaps, too, because they dread having nothing to do. The "privilege" of retirement is seen in its oddest light through the eyes of a man who is frightened out of his wits at the thought of having nothing to do all day. When Adam left Eden he was doubly cursed: he had lost his innocence and he had to work for his living. Yet, paradoxically, the second penalty kept him happy; and for his descendants work, or if you prefer it occupation, is a necessity. Hobbies that have filled every vacant moment of forty years of business life may yet

not be capable of expansion into an occupation for a full week, and the first months of retirement, even for those who have looked forward to it, may be a period of agonising re-appraisal. One has become tuned to one way of life, and one now has to start another, and slower, regimen.

In so far as sixty is the wrong age—too old for easy realignment, too young for slippered relaxation—circumstances may sort us out in the next score or two of years. But in so far as a fixed age for all comers in any particular employment is the cause of these tears, making no difference between premature age and perennial youth, there seems little enough hope of reform. Large organisations must have some kind of rule of thumb, and pension fund actuaries a more precise and more inexorable measure.

In an ideal world there would presumably be an option of retirement at any time between forty-five and eighty (and it would be interesting to know how many would opt for what ages); but this is not an ideal world, and new thought about retirement is part of a rethinking about work in general. There is a kind of community conscience which is quite disillusioned from the certainty of the thirties that there would be less and less work to do for more and more money. The idea has gone with the massive unemployment that perhaps supported it. Now we feel, in almost (but not quite) a Victorian manner, and nuclear energy notwithstanding, that we ought to work harder than we do; and those who, for instance, did not get their five-day-week in the piping days just after the war seem less and less likely to get it now.

But pensioned retirement itself is surely more likely to expand than to contract. Salaries (in that kind of work) tend to go on increasing with age, and a junior can almost be paid even today out of the slack of the difference between senior salary and pension, while the security of the pension, not so powerful a bait in recruiting as it once was, still has its attractions, especially for parents. It is being made easier and easier for the small firm to establish its own pension fund, and a security-minded generation (under the shadow of the H-bomb) finds the prospect of a pension more and more alluring. We may have to work longer for it, but more of us will have it, that pension arising out of the employment rather than out of the national scheme. Some of us will pay for it, some of us in non-contributory schemes will be able still to pretend that we don't. We can all go on talking about our pension "rights", and thinking of them as a privilege, with both words just a little askew. And as the age goes up in stages from sixty to seventy and perhaps beyond we may spare a thought for the youth which must indeed still be served, but a little more slowly, a little more elderly. Dead men's shoes, retired men's desks. . . .

Dissection of Company Profits

THE PROFUSION OF statistics given by the Board of Inland Revenue in its last report includes the direct taxes in a great number of tabular permutations, showing a very wide range of statistical information about tax-paying individuals and companies. One of the most useful sections is that on the appropriation of company income, from which we compile the table set out below.

The report (price 8s. 6d. net from H.M. Stationery Office) is the ninety-ninth, for the year ended March 31 last; it is so packed with figures that it seems doubtful whether the centenary number can be any fuller.

PERCENTAGES OF TURNOVER
(Assessments for 1954/55—approximately calendar year 1953)

	Trading profit	*Deprecia-tion allowances*	*Total income (trading profit* minus *depre-ciation allow-ances* minus *losses* plus *other income)*	*Divi-dends (gross)*	*Interest, royalties etc. (gross)*	*Profits tax*	*Excess profits levy*	*Income tax*	*Balance*
Mines and quarrying (not coal)	17.5	4.2	13.7	3.3	0.3	0.9	0.4	4.5	4.2
Treating non-metal products (not coal)	13.9	2.4	12.2	3.3	0.2	0.9	0.6	3.9	3.2
Chemicals	12.6	2.6	10.4	2.9	0.2	0.8	0.2	3.3	3.0
Iron and steel	10.4	1.8	8.9	2.5	0.1	0.7	0.5	2.8	2.2
Non-ferrous metals	7.4	1.2	6.3	2.0	0.1	0.5	0.1	1.9	1.6
Shipbuilding and non-electrical engineering	13.3	1.6	12.4	2.6	0.2	0.8	0.6	4.3	3.9
Electrical engineering and electrical goods	13.4	1.5	12.4	2.6	0.4	0.8	0.8	4.2	3.6
Vehicles	9.5	1.1	8.6	2.0	0.1	0.6	0.6	2.9	2.3
Metal goods	12.8	1.7	11.7	2.8	0.1	0.9	0.4	3.9	3.5
Precision instruments, etc.	11.4	1.3	10.3	1.8	0.2	0.6	0.3	3.7	3.7
Cotton	8.8	1.1	8.0	2.7	0.1	0.7	0.2	2.3	1.9
Wool	8.1	0.8	7.4	2.1	0.1	0.6	0.2	2.3	2.0
Other textiles	12.9	2.0	11.2	2.9	0.3	0.9	0.5	3.6	3.1
Leather and fur	7.3	0.8	6.5	2.4	0.2	0.6	0.2	1.7	1.3
Clothing	7.0	0.7	6.4	1.9	0.1	0.5	0.1	2.0	1.8
Food	7.2	1.0	6.8	1.3	0.1	0.4	0.3	2.4	2.3
Drink	10.7	1.0	12.7	5.0	0.8	1.0	–	3.1	2.8
Tobacco	3.5	0.2	4.3	2.2	0.2	0.4	–	0.8	0.6
Wood and cork manufacturing	8.7	1.3	7.5	2.2	0.1	0.6	0.2	2.3	2.1
Paper and printing	13.9	1.9	13.3	4.0	0.3	1.1	0.3	4.0	3.6
Other manufacturing	10.2	1.7	8.8	2.1	0.1	0.6	0.3	2.9	2.7
Building and contracting	6.6	1.2	5.3	0.9	0.1	0.3	0.2	1.9	1.8
Road transport	16.7	6.3	14.5	1.7	0.2	0.5	0.1	5.6	6.3
Other transport, etc. (not railways and shipping)	14.7	2.9	13.1	3.6	0.2	1.0	0.4	4.2	3.7
Wholesale distribution	4.1	0.3	3.9	1.0	0.1	0.3	0.1	1.3	1.2
Retail distribution	6.7	0.5	6.9	1.7	0.2	0.5	0.3	2.2	1.9
Entertainment and sport	9.3	1.1	9.2	2.6	1.1	0.7	0.1	2.5	2.2
Other services	9.6	1.9	8.1	1.5	0.3	0.5	0.4	2.8	2.6

Proposed Integration of Incorporated and Chartered Accountants

At the special general meeting of the Institute of Chartered Accountants in England and Wales, held last month to consider the integration scheme (see pages 95/96), Mr W. H. Lawson, C.B.E., B.A., F.C.A., Vice-President, made the main speech from the platform. We reproduce his speech in full.

Introduction

Before the scheme of integration and the explanatory memorandum were issued to the members, the Council had the benefit of consultation with the committees of the district societies. Since the issue of the documents informal meetings of members have been held throughout the country under the auspices of the district societies. These meetings, most of which I have had the pleasure of attending, have provided a useful opportunity for a much wider exchange of views than was possible before the scheme was made public. It may save time at this meeting if I give you in advance the Council's views on some of the more important matters which have been raised at these informal meetings. Before doing so, I wish to amplify the explanatory memorandum by making a few general remarks regarding the need for the scheme and the principles upon which it is based.

The present structure of the accountancy profession

The Council of the Institute is well aware that the present structure of the accountancy profession is not satisfactory. It has shown this awareness in the initiative which it took and the strenuous efforts which it made over a period of ten years from 1942 to 1952 to bring about co-ordination. These efforts eventually failed through no fault of those who devoted so much time and thought to the matter.

It is not surprising that changes should be necessary as there has been no major reorganisation in the accountancy profession in England and Wales since the Institute was formed in 1880 by the fusion of the then existing five bodies of accountants. In Scotland, however, a major step towards unification was taken in 1951 when the three separate bodies of Chartered Accountants of Edinburgh, Glasgow and Aberdeen, all of which had been formed before 1880, became united in the Institute of Chartered Accountants of Scotland.

There are now three bodies of accountants established in England and Wales which are recognised under Section 161 of the Companies Act, 1948—our own Institute of Chartered Accountants in England and Wales, the Society of Incorporated Accountants and the Association of Certified and Corporate Accountants. In addition, the Institute of Chartered Accountants of Scotland and the Institute of Chartered Accountants in Ireland are recognised under Section 161. The Board of Trade has also recognised individuals under Section 161 (1) (*b*) of the Act. These individuals are not necessarily members of any accountancy body or subject to any disciplinary control. The auditor of an exempt private company is not required to hold any qualification or be a member of any accountancy body.

All the recognised bodies of accountants were formed long before the passing of the Companies Act, 1948, and their prescribed conditions of entry were, therefore, established without consideration of the requirements of Section 161.

The Chartered Institutes have, however, always required that admission to membership shall be after practical experience gained under articles in the offices of a practising member in the United Kingdom and Ireland and the passing of examinations of high standard.

The Society of Incorporated Accountants was formed and has been built up mainly in order to provide an alternative qualification for those who have been unable to train for the Chartered Institutes either because of the limitation on the permitted number of articled clerks or for financial or other reasons. In Scotland, where there is no defined limitation on the number of articled clerks, the membership of the Society is extremely small compared with that in England and Wales and Ireland where the number of articled clerks has been limited to two for each practising member. Most members of the Society have obtained their qualifying experience in accountancy either by service as articled clerks with Incorporated Accountants in practice or as bye-law candidates in the offices of practising accountants, including Chartered Accountants. The Society has, however, also accepted service in the Treasurers' offices of public and local authorities in the United Kingdom and Ireland and in the offices of practising accountants overseas.

The Association of Certified and Corporate Accountants was founded in 1904 and took over the Corporation of Accountants in 1939 and the Institution of Certified Public Accountants in 1941. The Association now has within its membership a substantial number of practising accountants. Its membership is available both to those who obtain their training in industry and to those who obtain their training in the offices of practising accountants; the former class is believed to predominate.

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As the Association is recognised under Section 161 all its members are qualified to act as auditors of public companies whether or not they have had any practical experience of auditing.

Thus, there are widely differing methods of qualification for those entitled to act as auditors of public and non-exempt private companies under Section 161 of the Companies Act.

The whole of the members of the Chartered Institutes and a great majority of the members of the Incorporated Society have obtained their basic experience in the offices of practising accountants, whilst a majority of the members of the Association have obtained theirs in industry.

Many practising accountants, who are members of one of the recognised bodies, are in partnership with members of other such bodies and some are themselves members of more than one body. Practising members of the Institute are training in their offices large numbers of entrants for the Society and a much smaller number for membership of the Association. There is thus confusion in the minds of the public as to the different accountancy qualifications of those recognised under Section 161 of the Companies Act.

In addition to the accountancy bodies to which reference has been made, there are two other bodies of high standing which provide a qualification for those engaged in specialised fields of accountancy work, namely, the Institute of Cost and Works Accountants and the Institute of Municipal Treasurers and Accountants. Neither of these bodies is recognised under Section 161.

The Institute has long recognised that the present structure of the profession is unsatisfactory and that it must be regarded as unstable and subject to change. It regards itself as having the duty to take the lead in bringing about changes which are necessary and practicable.

Basic principle of the proposed scheme of Integration with the Society

The objective underlying the proposed scheme of integration of the Society with the Institute is the taking of a major step towards the unification of the accountancy profession in England and Wales by bringing into one body as many as possible of those whose qualifications are based on practical experience in the offices of practising accountants and the passing of examinations of high standard and by providing for the future a uniform method of entry into the enlarged body through articled service and examination. It may be remembered that when the co-ordination proposals to which I have referred were before the profession, the draft Bill, on which all the recognised bodies including the Association were agreed, included provisions stipulating that all accountants seeking in future to obtain qualifications for going into public practice must serve for a minimum period in the office of a practising accountant.

Since the publication of the scheme of integration a number of letters have appeared in the Press, many from accountants, challenging this principle and claiming that experience in industry is an adequate substitute for experience in a practising accountant's office. Nobody would wish to deny that much of the accountancy training provided by industry, commerce and public and local authorities is of the highest quality but its purpose is different from that of the training provided by practising accountants. A high proportion of the work of practising accountants consists of auditing, and heavy responsibility is placed upon auditors under the Companies Act and other statutes. The necessary skills in this responsible and difficult work and the variety of experience and independence of outlook required to carry it through can, in the opinion of the Council, only be obtained by experience in a practising accountant's office. Neither training in industry, however admirable for other purposes, nor examinations alone can be an adequate substitute for such practical experience.

The scheme provides that those members of the Society who have not had training in a practising accountant's office shall retain the title "Incorporated Accountant" but that after serving for three years in the office of or in partnership with a practising Chartered Accountant, they shall be eligible to become Chartered Accountants. Thus, the fundamental principle is preserved while giving all existing members of the Society, who wish to engage in the practising side of the profession, the opportunity of becoming Chartered Accountants.

It is appreciated, on the other hand, that practising accountants have much to learn from their colleagues in industry. The Council recognised this in 1948 when it was agreed that some part of the articled clerk's period of training might be served with an approved industrial undertaking. With an ever-widening field of knowledge the possibility of extending further the field of training for entrants into the profession is constantly under review, but the problem can never be completely solved so long as there are only 24 hours in a day and seven days in a week. In the meantime the success achieved by our members who later take up careers in industry shows that our training is of the greatest value in a wider field than that of professional practice. We consider indeed that it is the best form of training for those who wish later to take up such careers.

Possibility of further steps in regulating the profession

After the present scheme becomes effective, the membership of the Institute will comprise an overwhelming proportion of all professionally trained accountants in England and Wales. The number remaining outside the Institute's membership will be comparatively small, but at the informal meetings of members many questions have been asked with regard to the possibility of later taking further steps towards the unification of the practising side of the profession. These questions cannot be answered by the Council of the Institute alone. The answer must depend partly on the attitude of the other recognised accountancy bodies. The Council appreciates that in this respect the scheme is not complete in itself and that further steps may be desirable, but these can be

taken only after the same full and careful examination as has been made in the present case. It is inadvisable to do too much at once. A great deal of administrative reorganisation will be required to bring the present scheme into operation and members will require time to adjust themselves to the new conditions. As regards the Association, a broad outline of the proposals was supplied to them confidentially in November, 1955. No comment was received from the Association, but they issued a circular to their members of January 22 of this year. We have since received, at the end of last week, a letter from the Association suggesting that we and they should appoint representatives to discuss possible further steps in the integration of the profession. You will not expect me to comment further on this matter today, as clearly a decision has to be reached on the scheme of integration with the Society before we could be in a position to discuss matters with the Association. As regards the Scottish and Irish Institutes, the Council appreciates the opportunity provided for consultation with their Councils in the Joint Standing Committee which is being formed.

Registration of the profession

Questions have also been asked about the Council's policy in connection with the possible ultimate regulation or registration of the profession by legislation with a view to the protection of the public and practising accountants against the activities of unqualified accountants. Reference has already been made to the efforts made during and shortly after the war to introduce legislation. The draft Bills then under consideration would have had the double purpose of providing for the regulation of the profession and for its closing against unqualified accountants by Act of Parliament. So far as the recognised bodies are concerned the present scheme goes a long way towards fulfilling the first purpose, which should be capable of achievement by agreement between the accountancy bodies concerned without recourse to legislation. The regulation of the profession is a domestic matter within the power of the profession itself to achieve. As regards the second purpose it may be thought that, before enlisting the assistance of Parliament in protecting the profession, we should put our own house in order by organising the profession on a sound basis so as to provide the highest possible standards of service to the public.

At the annual meeting in 1954 the then President said that the Council of the Institute, in association with the Councils of the other recognised bodies, had recommended to the Board of Trade that Section 161 of the Companies Act should be extended to cover the audits of exempt private companies. That proposal, which was recommended by the Cohen Committee as long ago as 1945, would go some way towards protecting the public and the profession against the activities of unqualified auditors, especially if it were accompanied by some disciplinary control over individuals on the Board of Trade list who are not now subject to discipline. It would be much more difficult to regulate the class of persons entitled to deal with the accounts of sole traders and partnerships. That work is closely associated with taxation work, in which the accountancy profession can claim no monopoly. It has been done for many years by solicitors, estate agents, retired Inland Revenue officials, banks and others. It would be extraordinarily difficult to establish a satisfactory legal definition of this kind of work or of those who should be entitled to carry it out. It is possible that a more hopeful line of approach might be by administrative action on the part of the Board of Inland Revenue, but there is no indication at present that the Board would be willing to consider such action. Thus the problem continues to present the great difficulties which defeated us when we were trying to bring about coordination of the profession. The need for protection against the activities of unqualified accountants is forcibly impressed upon our members, especially those in small towns and country districts, and is a matter about which the Council is greatly concerned.

The Council of the Association, in a recent circular to its members commenting upon our integration scheme, expressed the opinion that the scheme simplifies the structure of the profession but added that it is not an acceptable substitute for the statutory regulation of the profession. In view of the difficulties to which I have referred, it is hard to understand precisely what is meant by the term "statutory regulation of the profession" or how far this could be expected to go beyond the proposed amendment of Section 161 of the Companies Act, upon which all the recognised accountancy bodies are agreed.

The Society's membership

The Society of Incorporated Accountants was formed in 1885. It has had much the same aims as those of the Institute and, with the exceptions to which I have already referred, has adhered to the same fundamental principles. The Council of the Society has worked closely with that of the Institute in matters of common interest for many years. We have come to know them and they have come to know us, and mutual confidence has resulted. Their standards of ethics and their attitude towards professional problems are much the same as our own and their examinations are of a high standard. Many of their members have been trained in our offices and we are now providing nearly half their entry. At one time it would have been true to say that, in general, recruits for membership of the Society left school at an earlier age than recruits for the Institute, leaving any deficiency in general education to be made good later. With changes in the educational system under which most entrants to professional offices remain at school at least until 16, this distinction is no longer so relevant. The Society's regulations provide that bye-law service shall not commence until the age of 17½. In these circumstances, most of us would find it difficult to describe the precise distinction between the designation of a "Chartered" accountant and that of an "Incorporated" accountant who has been trained in the office of a practising accountant. It has often been said that we should have come

together with the Society years ago. There were difficulties then which, with changes in social conditions and outlook, have now largely disappeared. The financial conditions of articled service are now very different from what they used to be, and it should be possible for all young people of the necessary character, education and ability to undergo an appropriate course of practical training under articles which can lead to the Institute's examinations and membership. There is, therefore, no need in respect of such young people for the continuance of the alternative system of bye-law service leading to membership of the Society.

Questions have been asked as to whether it will be necessary to provide facilities for clerical assistants in accountants' offices to obtain a qualification. Time will show whether this is necessary and, if so, whether it should be provided by one of the other accountancy bodies or by some separate examination by the Institute itself.

It is believed that the scheme will assist in attracting the best type of entrants into the profession and will lead to the advancement of accountancy standards. The merits of the scheme should be appreciated by the public who are our clients.

If it is thought that, in isolated cases, there may be disadvantages in the short-term for individuals, it should be remembered that these will gradually disappear. Clients and employers will continue to look not only to their designation but also to their qualities, record and experience. Young members, in particular, should consider the long-term future of the profession in which they are starting their careers.

Articled clerks

Questions have been asked about the proposed changes in the Institute's regulations regarding articled clerks. These will provide that, in future, a member in practice will be permitted to take up to four articled clerks, with discretion to the Council to permit a greater number in appropriate cases. The reasons for this change, which are are an essential part of the scheme, are given in paragraphs 26 to 29 of the explanatory memorandum, which was drafted in consultation with the committees of the district societies. If changes were not made there would be need for the continued existence of the Society to provide a qualification for those who are being trained in our members' offices, but for whom no articled vacancies are available so long as the present limitations apply.

It may be said that there is no special merit in the number four, that it might more appropriately be three or five or some other number. The answer is that no one number is appropriate for every member; some members cannot provide satisfactory training for the present permitted number of two and, therefore, do not take two articled clerks. Others, especially those with qualified staff to assist them, could provide adequate facilities for training a larger number. In our view it is essential that the number which we name in the scheme should show an increase over the present permitted maximum so as to demonstrate a real intention on the part of the Institute to provide increased opportunities for young people to become Chartered Accountants.

I cannot too strongly emphasise, however, that it is not suggested that all practising members should take four articled clerks. We have no intention whatever of lowering the standards which a member is expected to maintain in training articled clerks. Our intention is to watch closely the effects of the increase in numbers on these standards and we shall not hesitate to return to you for leave to amend the Institute's regulations if, after the lapse of a reasonable time, say two to three years, we find that the provisions now being made need to be altered.

I realise that there is room for a variety of opinions on the question, but the number four has been agreed with the Society and I hope that, in view of what I have said, you will feel that the matter can safely be left in the hands of the Council. What is important is that members who can provide training facilities should in future be enabled to employ them in training recruits for the Institute rather than for another body. It is entirely wrong that our energies should be directed, as they have hitherto been, in the other direction.

Questions have also been asked about the financial conditions of articles. Only 14 per cent. of articles registered at the present time carry a premium, and in a large majority of cases salaries are paid. It is not the intention of the Council to follow the example of the Scottish Institute by recommending rates of salaries for articled clerks; that, we feel, is better left to the judgment of individual members. Under existing conditions, however, it is natural that salaries should be paid to articled clerks and the tendency is for these to increase.

In recruiting the students we require from the schools and universities we are in competition with large business firms, insurance companies and other employers, all of whom are able and willing to provide substantial salaries. If we wish to recruit the best men irrespective of their financial circumstances, we must follow the present trend.

Suggestions for revision of the terms of the scheme

Some members have made suggestions for the revision of the scheme, and these have tended to cancel each other out. For example, some members, whilst favouring the scheme, would prefer to leave the number of articled clerks undisturbed. This is impracticable for reasons which I have already mentioned. Other members would like to see the system of articles amended without any scheme of integration. That would be practicable but would do nothing to rationalise the profession. Indeed, it would add to the difficulty by depriving the Society of about one half of its present entrants who would, in future, train for the Institute. It would provide no alternative basis for the Society's recruitment, thus perhaps compelling it to extend its recruitment into the fields of industry. To do this, without first attempting to integrate the two bodies, would be an abrogation of the leadership of the profession which the Institute has held for many years. We cannot concern ourselves only with our domestic affairs and disregard the interests of the

profession as a whole.

Some members have suggested that members of the Society should all become members of the Institute, not as Chartered Accountants, but in the new class of membership as Incorporated Accountants, while being allowed to take articled clerks for training as Chartered Accountants. That suggestion, even if it were acceptable to the Society, would do nothing to solve the present problems of the profession. It would, in effect, convert the Institute into an Institute of Chartered and Incorporated Accountants, but this the Council was not prepared to contemplate.

On the other hand some members have suggested that all members of the Society should be admitted to the Institute as Chartered Accountants, thus rendering unnecessary the new class of Incorporated Accountant members. It is essential that any step towards the integration of the profession should be taken in accordance with some clear principle.

It is a fundamental principle of the Institute that a Chartered Accountant should be trained in a practising accountant's office in the United Kingdom and Ireland. It is a matter of regret to the Council that they were unable to recommend full membership as Chartered Accountants to members of the Society who have trained in local authority offices or with practising accountants overseas, but this could not have been done without sacrificing a fundamental principle and creating a precedent which might have serious consequences in the future.

It must be remembered that nearly all the members of the Society concerned are either members of the Institute of Municipal Treasurers and Accountants or, if they are overseas, of the local societies of accountants in the countries in which they are resident. For most of them their qualification as Incorporated Accountants is additional to their other qualification.

Suggestions for amendment of the Institute's own regulations

The principle on which the Council has proceeded in drafting the scheme is that members of the Society should, as far as practicable, join the Institute in accordance with the existing regulations and any question of amending these regulations should be considered later. It is essential to have a clear vote from the members on the principle of integration unaffected by any views which may be held on subsidiary matters which may, in themselves, be controversial.

Suggestions, however, have been made at the informal meetings of members and in correspondence for changes in the Institute's own regulations including the following:

(*a*) That the present distinction between Associates and Fellows should be discontinued. There is clearly much to be said for this suggestion, especially as many of those who are now entitled to Fellowship prefer to remain Associates and pay a lower rate of subscription. The proposed change would involve a decision as to the letters, if any, which should be used to describe the new combined class of membership and also as to the rate of subscription payable. Another suggestion was that Fellowship should be extended to non-practising members. The Council does not minimise the difficulties but hopes that they will not prove insurmountable. It intends, whether the present scheme becomes effective or not, to submit a report and, if possible, proposals to members at the earliest practicable opportunity, probably at the annual meeting in 1958.

(*b*) That members of our Institute practising in Scotland should be entitled to take articled clerks. This question will be put forward for consideration by the Joint Standing Committee with the Scottish and Irish Institutes which is being set up under the scheme.

(*c*) Representations have been received from oversea members of the Institute and of the Society as to the difficulty in which they will be placed by the withdrawal of the right to train students for membership of the Society. We sympathise fully with them in this difficulty, but do not see how we can surmount it without abandoning a principle always regarded in the Institute as being of the greatest importance, namely, that articled service counting towards membership of the Institute shall be performed in this country. The policy of the Council is to encourage the formation and development of bodies of professional accountants overseas and to assist them as far as practicable in their examinations and in other matters. We will do our utmost to continue to help in these ways, but I would not be frank if I were to fail to say that we do not see any prospect of being able to recommend that service overseas should be recognised as articled service leading to membership of the Institute.

(*d*) Suggestions relating to tuition, examinations and publicity and other matters of current concern to members. These subjects are under constant review by the committees of the Council and the suggestions that have been made will be borne in mind.

Conclusion

In conclusion, the scheme is of vital importance to us all, whether it is regarded as complete in itself or as the first important step towards integration of the whole profession. If, as I hope, it is carried into effect, the Council will apply their minds sincerely and objectively to the possibility of further rationalisation of the profession, always bearing in mind, as indeed they have done hitherto, that they must seek the long-term good of the Institute and of the profession as a whole.

By an overwhelming majority, the Council recommends the scheme to the members. It is important that all members should exercise their right to vote both at this meeting and at the poll which will be taken later. In recording their votes they will, I am sure, bring to bear upon this important domestic matter the independence of mind and objectivity which are such an essential part of the training of a Chartered Accountant.

Scheme of Integration—Society and Scottish Institute

Definitions

1. In this scheme, unless inconsistent with the subject or context:—

(*a*) "the Scottish Institute" means The Institute of Chartered Accountants of Scotland;

(*b*) "the English Institute" means The Institute of Chartered Accountants in England and Wales;

(*c*) "the Irish Institute" means The Institute of Chartered Accountants in Ireland;

(*d*) "the Society" means The Society of Incorporated Accountants;

(*e*) "the principal scheme" means the scheme of integration between the English Institute and the Society dated December 5, 1956;

(*f*) "the date of publication of this scheme" means December 20, 1956;

(*g*) "the effective date" means the date upon which this scheme becomes effective in accordance with clause 15 hereof;

(*h*) "public accountant" means a person whose main occupation consists of practice as an accountant and the offer of his services as such for reward to members of the public generally;

(*i*) "Chartered or Incorporated Accountant" means a member of the Scottish Institute, a Fellow or Associate of the English Institute, a member of the Irish Institute, or a member of the Society;

(*j*) "bye-law candidate" means a person who is registered as a bye-law candidate of the Society in accordance with the special provisions of the bye-laws of the Council of the Society;

(*k*) "the United Kingdom" means Great Britain and Northern Ireland;

(*l*) "month" means calendar month;

(*m*) words importing the masculine gender only shall include females, words in the singular shall include the plural, and words in the plural shall include the singular;

(*n*) "this scheme" means this scheme as at present framed with such amendments (if any) agreed to by the Councils of the Scottish Institute and of the Society prior to the effective date as may have been approved by general meetings of the Scottish Institute and of the Society.

Preliminary

2. For all purposes of this scheme the decision of the Council of the Scottish Institute as to whether a person is a public accountant practising in the United Kingdom, or is a public accountant practising in a particular part of the United Kingdom, and as to whether there has been the appropriate service with any such public accountant shall be final.

Eligibility of Members of the Society for Admission as Members of the Scottish Institute

3. (*a*) Any member of the Society who at the date of publication of this scheme—

(i) is practising as a public accountant in Scotland; or

(ii) is resident in Scotland and obtained his qualification for membership of the Society after the appropriate service in accordance with the constitution of the Society (either as an articled clerk or as a bye-law candidate) with a Chartered or Incorporated Accountant practising as a public accountant in the United Kingdom; or

(iii) is resident outwith Scotland and obtained his qualification for membership of the Society after the appropriate service in accordance with the constitution of the Society (either as an articled clerk or as a bye-law candidate) with a Chartered or Incorporated Accountant practising as a public accountant in Scotland;

shall be eligible for admission to membership of the Scottish Institute if within six months after the effective date (or in any special case within such further period and under such conditions as the Council of the Scottish Institute may in its discretion determine) he complies with the provisions of clause 10 (*a*) hereof, provided that at the date of such compliance he is not also a Fellow or Associate either of the English Institute or of the Irish Institute.

(*b*) The Council of the Scottish Institute may in its discretion and subject to such conditions as it considers fit regard as eligible for admission to membership of the Scottish Institute any person who at the date of publication of this scheme—

(i) is qualified for membership of the Society but has not been admitted to it, or

(ii) was formerly a member of the Society but whose membership has ceased in terms of its regulations owing to resignation, or for any other reason except professional misconduct (which expression shall include any act or default discreditable to a member of the Society),

provided that such person would otherwise have fulfilled the conditions set out in sub-clause (*a*) of this clause.

(*c*) The Council of the Scottish Institute may also in its discretion in any individual case extend, until the expiry of six months from the effective date, the date at which the conditions for eligibility specified in sub-clause (*a*) or (*b*) of this clause require to be fulfilled.

Articled Clerks and Bye-Law Candidates of the Society

4. (*a*) Subject to sub-clause (*d*) of this clause any person who at the effective date is registered as an articled clerk of a member of the

Society practising as a public accountant in Scotland shall be eligible to be apprenticed under indenture to a member of the Scottish Institute practising as a public accountant in the United Kingdom for a period expiring on the date on which his articles with the member of the Society would have been completed. So long as the member of the Society to whom such articled clerk is articled becomes a member of the Scottish Institute pursuant to this scheme the existing articles shall, if registered with the Scottish Institute in such manner as the Council of the Scottish Institute may require, be deemed to have been an indenture duly entered into and registered for all purposes of the rules and bye-laws of the Scottish Institute.

(*b*) Subject to sub-clause (*d*) of this clause any bye-law candidate of the Society who at the effective date is registered as such and is undergoing his period of qualifying service with a Chartered or Incorporated Accountant practising as a public accountant in Scotland or with a member of the Scottish Institute practising as a public accountant elsewhere in the United Kingdom shall be eligible—

(i) to be apprenticed under indenture to a member of the Scottish Institute practising as a public accountant in the United Kingdom for a period expiring on the date on which such qualifying service would have been completed; or

(ii) if at the effective date he shall have served five years (or such shorter period as the Council of the Scottish Institute may in its discretion in any particular case consider sufficient) of qualifying service, to complete in the United Kingdom his period of qualifying service, provided always that he shall not be permitted to change from one employer to another during such completing period without first obtaining the consent of the Council of the Scottish Institute, which consent may be given subject to such terms and conditions as the Council of the Scottish Institute may consider appropriate to impose.

(*c*) Notwithstanding the terms of sub-clause (*a*) and sub-clause (*b*) of this clause, any articled clerk or bye-law candidate of the Society, registered as such prior to the effective date and serving with a member of the Society who is practising as a public accountant in the United Kingdom but outwith Scotland and who becomes a member of the Scottish Institute pursuant to this scheme, shall be deemed eligible to be registered with the Scottish Institute as though he fell within one or other of such sub-clauses.

(*d*) Unless the Council of the Scottish Institute shall in its discretion otherwise determine in any special case, sub-clauses (*a*) and (*b*) of this clause shall not apply to any articled clerk or bye-law candidate of the Society who at the effective date has neither passed the Society's Intermediate Examination nor been exempted therefrom under the Society's constitution and for whom no opportunity remains within the remainder of his period of service under articles or of his qualifying service (as the case may be) of passing such examination or the Intermediate Examination of the Scottish Institute; provided always that such articled clerk or bye-law candidate shall be qualified to enter into an indenture of apprenticeship, under the rules and bye-laws of the Scottish Institute the period of service under such indenture being reduced to that appropriate to a person who prior to the execution of his indenture has served in the office of a member of the Scottish Institute practising as a public accountant.

5. The following provisions shall have effect as regards the registration with the Scottish Institute and the service of all articled clerks and bye-law candidates of the Society to whom this scheme applies:—

(*a*) The service of each articled clerk or bye-law candidate shall, in such manner as the Council of the Scottish Institute may require, be registered with the Council within six months after the effective date (or in any special case within such further period and under such conditions as he Council may in its discretion determine). No dues shall be payable for such registration.

(*b*) Prior to such registration the articled clerk or bye-law candidate shall sign and submit to the Council of the Scottish Institute an acknowledgment that he will be bound by the rules and bye-laws of the Scottish Institute from time to time in force so far as applying to him.

(*c*) No articled clerk or bye-law candidate shall be eligible to register with the Scottish Institute if he has made and not withdrawn an application to be registered with the English Institute or with the Irish Institute.

(*d*) There shall be counted towards the period of completion of service under articles or indenture or qualifying service (as the case may be) only such service as has been properly and faithfully performed with a Chartered or Incorporated Accountant practising as a public accountant in the United Kingdom.

6. Any articled clerk or bye-law candidate of the Society who completes the period of his service either under indenture or by means of qualifying service (as the case may be) in terms of clauses 4 and 5 of this scheme and who passes the Final Examination of the Scottish Institute or the Final Examination of the Society held under the provisions of clause 8 of this Scheme shall be eligible for admission to membership of the Scottish Institute if, within three years from the completion of his period of service or from his passing of such Final Examination whichever shall have been the later (or within such further period and subject to such conditions as the Council of the Scottish Institute may in its discretion in his individual case determine), he complies with the provisions of clause 10 (*a*) of this scheme.

7. Any person who—

(i) is at the date of publication of this scheme resident in Scotland or in employment in Scotland; and

(ii) having been an articled clerk or bye-law candidate of the Society has duly completed prior to the effective date his period of service under articles or his

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qualifying service (as the case may be) with a Chartered or Incorporated Accountant practising as a public accountant in the United Kingdom and has either passed the Intermediate Examination of the Society or been exempted therefrom under the Society's constitution but has not passed its Final Examination,

shall, if he obtains the registration of his said service with the Scottish Institute under the provisions of clause 5 of this scheme, and if he passes the Final Examination of the Scottish Institute or the Final Examination of the Society held under the provisions of clause 8 of this scheme within five years from the date of completion of his said period of service, be eligible for admission to membership of the Scottish Institute if, within three years from his passing of such Final Examination (or within such further period and subject to such conditions as the Council of the Scottish Institute may in its discretion in his individual case determine), he complies with the provisions of clause 10 (*a*) of this scheme.

Examinations

8. (*a*) As from the effective date or such later date (if any) as the Councils of the Scottish Institute and of the Society may agree, the Society shall cease to hold any further examinations; but so far as affecting candidates for admission to the Scottish Institute (being persons whose service is registered with the Council of the Scottish Institute in terms of clause 5 of this scheme and who are in this clause hereinafter referred to as "Society Scottish candidates") the following examinations shall continue to be held as examinations of the Society in accordance with sub-clause (*b*) of this clause for the periods below set forth or for such longer period or periods as the Council of the Scottish Institute may think fit:—

Intermediate Examination
Until December 1, 1959
Final Examination
Until December 1, 1961

(*b*) Such examinations shall be conducted by the Council of the Scottish Institute in consultation with the Council of the English Institute (which will be conducting parallel examinations for candidates for admission to the English Institute) as nearly as may be in accordance with the relevant provisions of the constitution of the Society for Scottish candidates as in force at the date of publication of this scheme, with such modifications (if any) as the Council of the Scottish Institute may in consultation with the Council of the English Institute consider necessary or desirable.

(*c*) (i) Any Society Scottish candidate who passes or has passed the Society's Intermediate Examination, or who prior to the effective date has been exempted from that examination under the Society's constitution, shall be exempt from the First and Second Divisions of the Scottish Institute's Intermediate Examination.

(ii) Any Society Scottish candidate who has passed the Society's Intermediate Examination at an examination diet held in or before November, 1956, or has been exempted therefrom as aforesaid, shall be entitled to continue after the effective date on the Society's examination syllabus with a view to sitting the Society's Final Examination; but if he shall not have passed both parts of the Society's Final Examination in or before November, 1961 (or such later date as may be determined by the Council of the Scottish Institute under sub-clause (*a*) of this clause) he shall thereupon forthwith change over to the examination syllabus of the Scottish Institute on such terms and conditions as the Council of the Scottish Institute may decide.

(iii) Any Society Scottish candidate who shall pass the Society's Intermediate Examination at an examination diet held in or after May, 1957, shall forthwith on so passing change over to the examination syllabus of the Scottish Institute.

(iv) Any Society Scottish candidate who has not been exempted from the Society's Intermediate Examination as aforesaid and who has not passed the Society's Intermediate Examination at an examination diet held in or before November, 1959 (or such later date as may be determined by the Council of the Scottish Institute under sub-clause (*a*) of this clause) shall thereupon forthwith change over to the examination syllabus of the Scottish Institute.

(v) Any Society Scottish candidate shall be at liberty to elect to change over from the examination syllabus of the Society to that of the Scottish Institute at any date earlier than that indicated in paragraph (ii) or (iii) or (iv) of this sub-clause.

(*d*) All the time limits for passing examinations applicable in accordance with the rules and bye-laws of the Scottish Institute (and all the discretionary powers of the Council of the Scottish Institute in connection therewith) shall apply to all Society Scottish candidates whether sitting for the Society's examinations or for the examinations of the Scottish Institute.

(*e*) Society Scottish candidates sitting for examinations of the Society shall be permitted to present themselves for such wherever in any part of the United Kingdom such examinations are held.

(*f*) All Society Scottish candidates sitting for any of the Scottish Institute's examinations shall be required to take the university or other classes from time to time prescribed for apprentices by the Council of the Scottish Institute.

Eligibility of Incorporated Accountant Members of the English Institute for Admission to the Scottish Institute

9. Any person who is admitted under the provisions of the principal scheme to membership of the English Institute in its class of members known as "Incorporated Accountants" shall become eligible for admission to membership of the Scottish Institute if he satisfies the following conditions, namely:—

(1) that he has obtained a certificate of his having passed the Final Examination of the English Institute

or the Final Examination of the Society (not being its Modified or Special Final Examination held in either case in the Union of South Africa or in Southern Rhodesia);

(2) that whilst a member of the Society or of the English Institute (or partly whilst a member of the one and partly whilst a member of the other) he has served continuously for not less than three years in the office of or has been in partnership with—

(*a*) a Chartered or Incorporated Accountant practising as a public accountant in Scotland; or

(*b*) a member of the Scottish Institute practising as a public accountant elsewhere in the United Kingdom;

provided always that for the purposes of this condition the continuous period of three years above referred to may have been made up partly of service and partly of partnership as aforesaid and may have been partly with a Chartered or Incorporated Accountant under (*a*) above and partly with a member of the Scottish Institute under (*b*) above; and

(3) that he has signed and submitted a written application for admission to the Scottish Institute in compliance with the provisions of clause 10 (*a*) of this scheme.

Admission to the Scottish Institute

10. (*a*) Admission to the Scottish Institute with the right to use the description Chartered Accountant and the designatory letters C.A. may be granted by the Council of the Scottish Institute to any person eligible in terms of clause 3 (*a*) or 3 (*b*) (ii) of this scheme, and by the Scottish Institute in general meeting to any person eligible in terms of clause 3 (*b*) (i), 6, 7 or 9 of this scheme, provided in each case that he shall have signed and submitted a written application for such admission in such form as the Council of the Scottish Institute may require containing, all conditional upon his being admitted—

(i) a minute of adherence to the rules and bye-laws of the Scottish Institute in force at the time of admission or which may thereafter from time to time be made;

(ii) an election by the applicant for membership of the Scottish Institute to the exclusion of membership of the English Institute under the provisions of the principal scheme; and

(iii) where appropriate a renunciation for all future time of the use of the description of the applicant as an Incorporated Accountant and the designatory letters F.S.A.A. or A.S.A.A., or the description of the applicant as a Fellow of the "Scottish Institute of Accountants" (which was instituted in 1880 and affiliated to the Society in 1899) and the designatory letters F.S.I.A.

(*b*) Every person who is admitted to membership of the Scottish Institute in terms of this scheme shall—

(i) pay the annual subscription appropriate to his membership of the Scottish Institute under the rules of the Scottish Institute as from time to time in force: provided always that no such person admitted to membership of the Scottish Institute shall be required to pay any subscription in respect of any period covered by a subscription already duly paid by him to the Society or to the English Institute as the case may be; and

(ii) be entitled to all the rights and privileges, including election to the Council or as an office-bearer of the Scottish Institute, and be subject to all the obligations of a member of the Scottish Institute under the rules and bye-laws of the Scottish Institute as from time to time in force.

Entrance Fees upon Admission to the Scottish Institute

11. (*a*) In respect of each person admitted to membership of the Scottish Institute under this scheme the Scottish Institute shall be entitled to receive an entrance fee of £42, which shall be due and payable upon lodgment of the application for such admission.

(*b*) In the case of each member of the Society eligible for such admission in terms of clause 3 (*a*) or clause 3 (*b*) (ii) of this scheme and of each person who (being a member of the Society at the effective date) becomes eligible for such admission in terms of clause 9 of this scheme the said entrance fee shall be paid, after the transfer of the Society's surplus assets to the English Institute in accordance with the provisions of the principal scheme, by the English Institute.

(*c*) In the case of each person eligible for such admission in terms of clause 3 (*b*) (i), clause 6 or clause 7 of this scheme, the said entrance fee shall be paid by such person, but the Council of the Scottish Institute may, in its discretion in any individual case, on being satisfied that full payment of the said entrance fee by such person would cause hardship, remit any amount not exceeding £31 10s. 0d. thereof.

(*d*) In the case of each person eligible for such admission in terms of clause 9 of this scheme who was not a member of the Society at the effective date the said entrance fee shall be paid to the extent of £31 10s. 0d. by such person and to the extent of £10 10s. 0d. after the transfer of the Society's surplus assets to the English Institute in accordance with the provisions of the principal scheme, by the English Institute.

Effect of the Scheme on Certain Members of the Scottish Institute

12. This scheme shall operate as regards each of those members of the Scottish Institute who, at the effective date, are also members of the Society to exclude him for all future time thereafter from using the description Incorporated Accountant and the designatory letters F.S.A.A. or A.S.A.A., or the description Fellow of the Scottish Institute of Accountants and the designatory letters F.S.I.A.

Powers of the Scottish Institute to Alter its Rules and Bye-Laws

13. Nothing in this scheme shall be construed as limiting the powers of the Scottish Institute in general meeting at any time to amend its rules and bye-laws in such manner as it may think fit.

The "Scottish Institute of Accountants"

14. The Society shall procure—

(*a*) the passing by the members of its Scottish Branch of a special resolution for the dissolution of the "Scottish Institute of Accountants" and the transfer to the Society of its whole assets (if any); and

(*b*) the execution and delivery of an assignation in such form and by such parties as the Councils of the Scottish Institute, the English Institute, and the Society may agree, vesting in the Scottish Institute all such rights as the Society and the English Institute may be able thereby to transfer in the name "Scottish Institute of Accountants" and in the designation "Fellow of the Scottish Institute of Accountants" and in the designatory letters "F.S.I.A."

Effective Date

15. (*a*) This scheme shall become effective and shall become binding upon the Scottish Institute and the Society and their respective members on such date as the Councils of the Scottish Institute and the Society may agree, being a date on or before which the following conditions shall have been satisfied, namely:—

(i) that the principal scheme shall have been approved by the members of the English Institute in general meeting, and the Charters and bye-laws of the English Institute shall have been duly amended and (where requisite) such amendments shall have been duly allowed by the Lords of Her Majesty's Most Honourable Privy Council, in such manner as may be required to give effect to the principal scheme;

(ii) that this scheme shall have been approved by the members of the Scottish Institute in general meeting, and the rules and bye-laws of the Scottish Institute shall have been duly amended and (where requisite) such amendments shall have been duly allowed by the Lords of Her Majesty's Most Honourable Privy Council, in such manner as may be required to give effect to this scheme; and

(iii) that the principal scheme and this scheme shall have been approved by the members of the Society in general meeting and effective resolutions of the members of the Society shall have been passed for the voluntary winding up of the Society and the transfer of its surplus assets to the English Institute.

(*b*) For the purposes of sub-clause (*a*) of this clause, any resolution of the English Institute or of the Scottish Institute or of the Society in general meeting which may be required in order to satisfy any of the conditions therein mentioned shall be deemed to have been duly passed notwithstanding that such resolution is or is expressed to be conditional upon the principal scheme or this scheme becoming effective.

(*c*) A certificate signed by the Secretary of the Scottish Institute and Secretary of the Society duly authorised by their respective Councils that this scheme has become effective and as to the date on which this scheme became effective shall be conclusive.

(*d*) Unless this scheme shall have become effective on or before December 31, 1957, or such later date (if any) as the Councils of the Scottish Institute and of the Society may agree, it shall be null and void.

Scheme of Integration–Society and Irish Institute

1. Definitions

In this scheme, unless inconsistent with the subject or context:—

(*a*) "the Institute" means the Institute of Chartered Accountants in Ireland, and "any of the Institutes" means and includes the Institute, the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Accountants of Scotland;

(*b*) "the Society" means the Society of Incorporated Accountants;

(*c*) "the date of publication of this Scheme" means December 20, 1956;

(*d*) "the effective date" means the date upon which this scheme becomes effective in accordance with clause 12 hereof;

(*e*) "public accountant" means a person (i) who is a member of a body of accountants established in Ireland or in Great Britain the standing of which body is recognised by the Council of the Institute and (ii) whose main occupation consists of practice as an accountant and the offer of his services as such for reward to members of the public generally;

(*f*) "Chartered or Incorporated Accountant" means a member of any of the Institutes or of the Society;

(*g*) "Bye-law candidate" means a person who is registered as a bye-law candidate of the Society in accordance with the special provisions of the bye-laws of the Council of the Society;

(*h*) "Ireland" means the territory comprising both the Republic of Ireland and Northern Ireland;

(*i*) "this scheme" means this scheme as originally framed with any amendments which may prior to the effective date have been approved by general meetings of the Institute and of the Society and agreed to by their respective Councils;

(*j*) "month" means calendar month;

(*k*) words importing the masculine gender only shall include females, words in the singular shall include the plural, and words in the plural shall include the singular.

2. Membership of the Institute

(A) *Admission of members of the Society to membership of the Institute*

(i) Any member of the Society who either—

(*a*) at the date of publication of this

scheme is resident in and practising as a public accountant in Ireland, or

(*b*) qualified for membership of the Society after service (either as an articled clerk or as a bye-law candidate) for the appropriate period prescribed by the regulations of the Society, such service having been entirely with a public accountant practising in Ireland,

shall, upon application to the Institute made within six months after the effective date, be eligible for admission to membership of the Institute as an Associate.

For all purposes of this scheme the decision of the Council of the Institute as to whether a person is a public accountant and as to whether a member of the Society qualified for such membership by virtue of the appropriate period of service as aforesaid with a public accountant shall be final.

(ii) Any such member of the Society admitted to membership of the Institute as an Associate who at the date of publication of this scheme is a Fellow of the Society and who has been continuously in practice as a public accountant for not less than five years immediately preceding the date of his application for admission to membership of the Institute shall be eligible for election as a Fellow of the Institute.

Any other such member of the Society admitted to membership of the Institute as an Associate shall, as soon as he shall have been continuously in practice as a public accountant for five years (whether or not wholly or in part after admission as an Associate as aforesaid) be eligible for election as a Fellow of the Institute.

(iii) Any member of the Society who is admitted as an Associate or elected as a Fellow of the Institute under sub-clauses (i) or (ii) of this clause shall be entitled to describe himself as a Chartered Accountant and to use after his name the initials A.C.A. or F.C.A. as the case may be but shall cease to describe himself as an Incorporated Accountant or to use the designatory letters A.S.A.A. or F.S.A.A.

(B) *Admission of former members of the Society to membership of the Institute*

The Council of the Institute may in its discretion admit any former member of the Society to membership of the Institute upon such terms and conditions, if any, as the Council may consider appropriate having regard to the provisions of this scheme.

(C) *Admission of Incorporated Accountants of the Institute of Chartered Accountants in England and Wales to membership of the Institute*

(i) Any person who is admitted to membership of the Institute of Chartered Accountants in England and Wales as an Incorporated Accountant shall become eligible for admission to membership of the Institute as an Associate upon satisfying the following conditions:—

(*a*) that he shall produce to the Council of the Institute a certificate of having passed the Final examination of the Institute of Chartered Accountants in England and Wales or the Final examination of the Society (not being its Modified or Special Final examination held in the Union of South Africa or in Southern Rhodesia); and

(*b*) that whilst a member of the Society or of that Institute (or partly whilst a member of the one and partly whilst a member of the other) he shall continuously for not less than three years have served in Ireland in the employment of or shall have been in partnership in Ireland with a Chartered or Incorporated Accountant practising as a public accountant in Ireland. Provided always that for the purposes of this condition the continuous period of three years above referred to may consist partly of service and partly of partnership as aforesaid, but must in the case of service or partnership with a member of the Institute of Chartered Accountants in England and Wales be service or partnership with a Fellow or Associate of that Institute.

(ii) Any Incorporated Accountant of the Institute of Chartered Accountants in England and Wales who is admitted to membership of the Institute as an Associate in accordance with sub-clause (i) of this clause shall be entitled to describe himself as a Chartered Accountant and to use after his name the initials A.C.A. but shall thereupon cease to be entitled to describe himself as an Incorporated Accountant or to use the designatory letters A.S.A.A. or F.S.A.A.

3. Members of the Society who are already Members of the Institute

No member of the Society who at the effective date is already a member of the Institute shall thereafter be entitled to describe himself as an Incorporated Accountant or to use the designatory letters A.S.A.A. or F.S.A.A.

4. Articled Clerks—General Provisions

The number of articled clerks which a practising member of the Institute may have in his service at the same time shall be increased from two to four but the Council of the Institute shall be empowered in its discretion and on the application of any member to permit an increase in this number in any case in which it considers it desirable so to do and upon such terms and conditions, if any, as it thinks fit.

5. Articled Clerks and Bye-law Candidates of the Society

(i) Any articled clerk registered as such prior to the effective date who is articled to a member of the Society practising as a public accountant in Ireland (whether such member of the Society becomes a member of the Institute or not) shall be eligible to be articled to a member of the Institute practising as a public accountant in Ireland for a period expiring on the date on which his articles with the member of the Society would have been completed.

For the purpose of ascertaining such date, no period of service under articles otherwise than with a member of the Society practising as a public accountant in Ireland shall count towards the completion of articles.

If the member of the Society to whom such articled clerk is articled becomes a member of the Institute pursuant to this scheme the articled clerk's existing articles may, upon application to the Institute made within six months after the effective date, be registered with the Institute, and thereupon they shall be deemed to have been duly entered into and registered for all purposes of the bye-laws of the Institute but so that no period of service under such articles otherwise than with a Chartered or Incorporated Accountant practising as a public accountant in Ireland shall count towards completion of such articles and the same may (if necessary) by agreement be extended accordingly.

(ii) Any bye-law candidate of the Society registered as such prior to the effective date who is undergoing his period of qualifying service in accordance with the regulations of the Society with a Chartered or Incorporated Accountant practising as a public accountant in Ireland may, upon application to the Institute made within six months after the effective date—

(*a*) be articled to a member of the Institute for a period expiring on the date on which such qualifying service would have been completed, or

(*b*) be permitted, if at the effective date he shall have served five years (or such shorter period as the Council of the Institute may in its discretion in any particular case consider sufficient) of qualifying service, to complete his period of qualifying service instead of entering into articles.

But in no case shall any period of service otherwise than with a Chartered or Incorporated accountant practising as a public accountant in Ireland count as qualifying service.

(iii) Whilst any such articled clerk or bye-law candidate shall be eligible to sit for the examinations of the Institute or of the Society, he shall be exempt from the Preliminary examination of the Institute and shall, if he has passed or passes or has been duly exempted from the Intermediate examination of the Society, be exempt from the Intermediate examination of the Institute and, if he passes or has passed the Final examination of the Society (not being its Special Final examination in the Union of South Africa or in Southern Rhodesia), be exempt from the Final examination of the Institute.

(iv) Any such articled clerk or bye-law candidate who passes or is exempted from the Intermediate and Final examinations of the Institute as aforesaid and who completes his appropriate period of service shall, upon application to the Institute, be eligible for admission to membership of the Institute as an Associate.

(v) Any articled clerk or bye-law candidate of the Society who has duly completed his period of service under articles wholly with a member of the Society practising as a public accountant in Ireland or (as the case may be) his qualifying service wholly with a Chartered or Incorporated accountant practising as a public accountant in Ireland prior to the effective date and has passed or passes or has been exempted from the Intermediate examination of the Society, but who has not passed the Final examination of the Institute or the Final examination of the Society (not being its Special Final examination held in the Union of South Africa or in Southern Rhodesia) shall, upon passing either of the Final examinations referred to above and upon application to the Institute, be eligible for admission to membership of the Institute as an Associate.

(vi) Any articled clerk or bye-law candidate of the Society who has duly completed his period of service under articles, or his qualifying service with a public accountant in Ireland, and who has passed the Final examination of the Society (not being its Special Final examination held in the Union of South Africa or Southern Rhodesia) prior to the effective date but has not become a member of the Society shall, upon application to the Institute made within six months after the effective date, be eligible for admission to membership of the Institute.

(vii) Any articled clerk or bye-law candidate of the Society who, after the effective date, desires to transfer his articles or to change his employment shall first obtain the consent of the Council of the Institute to such transfer or change and unless he do so, service after such transfer or change shall not count towards completion of his articles or his qualifying service unless the Council of the Institute otherwise directs. In giving any such consent or direction, the Council of the Institute may impose such terms and conditions, if any, as it may consider appropriate.

6. **Applications to the Institute**

Every application to the Institute made by any person pursuant to this scheme shall be subject to the provisions of the Charter and bye-laws of the Institute for the time being in force, and shall be made in such form as the Council of the Institute shall require; but the period within which any such application is to be made may be extended either generally or in any particular case as the Council of the Institute in its discretion consider it proper to do so.

7. **Examinations of the Society**

(i) As from the effective date or such later date (if any) as the Councils of the Institute and of the Society may agree, the Society shall cease to hold any further examinations; but in regard to candidates for admission to the Institute (being persons to whom clause 5 of this scheme applies) the following examinations shall continue to be held as examinations of the Society in accordance with sub-clause (ii) of this clause for the periods below set forth or for such longer period or periods as the Council of the Institute may think fit:—

Intermediate Examination
Until December 1, 1959.
Final Examination
Until December 1, 1961.

(ii) Such examinations shall be conducted by the Council of the Institute in consultation with the Council of the Institute of Chartered Accountants in England and Wales (which will be conducting parallel examinations for candidates for admission to that Institute) as nearly as may be in accordance with the relevant provisions of the constitution of the Society in force at the date of publication of this scheme, with

such modifications (if any) as the Council of the Institute may in consultation with the Council of the Institute of Chartered Accountants in England and Wales consider necessary or desirable.

8. **Finance**

(i) No entrance fee shall be payable to the Institute by any person who at the effective date was a member of the Society and is admitted to membership of the Institute under clause 2 of this scheme but there shall be paid to the Institute in respect of each such person the sum of £21. Such sum shall be paid by the Institute of Chartered Accountants in England and Wales after the transfer of the Society's surplus assets to that Institute in accordance with the provisions of the scheme of integration referred to in paragraph (*b*) of clause 12 (i) of this scheme.

(ii) Every other person who is admitted to membership of the Institute under this scheme shall (except as hereinafter provided) pay the entrance fee for the time being in force under the bye-laws of the Institute. Provided that in the case of persons who are not members of the Society at the effective date but who are subsequently admitted to membership of the Institute under clause 2 (*c*) of this scheme, the said entrance fee shall be paid to the extent of £10 10s. 0d. by the Institute of Chartered Accountants in England and Wales after such transfer as aforesaid.

(iii) No election fee shall be payable to the Institute by any person on his election to Fellowship of the Institute if at the effective date he was a Fellow of the Society.

9. **Rates of Subscription**

The annual subscription appropriate to his degree of membership of the Institute under the Royal Charter and bye-laws of the Institute as in force from time to time shall be payable by every person who is admitted to membership of the Institute under this scheme. Provided always that no such person shall be required to pay any subscription in respect of any period covered by a subscription already duly paid by him to the Society or (as the case may be) to the Institute of Chartered Accountants in England and Wales.

10. **The Council of the Institute**

(i) The membership of the Council of the Institute shall be increased temporarily from its present number of eighteen to twenty-two, and the four vacancies thus created shall be filled by members of the Society resident in Ireland who shall have been admitted as members of the Institute under clause 2 (A) of this scheme, and who shall be selected by mutual agreement between the Councils of the Institute and of the Society.

(ii) The appointment of the four members thus co-opted to the Council shall not require any confirmation of an annual meeting of the Institute, and each of these four members shall, subject to his death, resignation or vacation of office, continue to hold office until he falls due for retirement by rotation under the provisions of the bye-laws of the Institute when he shall be eligible for re-election.

(iii) The first four vacancies in the membership of the Council following the co-option to the Council of the four members as aforesaid, arising by reason of the death, resignation or vacation of office (otherwise than by retirement by rotation) of any member of the Council, shall not be filled and the number of members of the Council shall thereby be reduced and ultimately restored to not more than eighteen.

11. **Alteration of Bye-laws**

Nothing in this scheme shall be construed as limiting the powers of the Institute in general meeting at any time to alter its bye-laws in such manner as it may think fit.

12. **Effective Date**

(i) This scheme shall become effective and binding upon the Institute and the Society and their respective members upon such date as the Councils of the Institute and of the Society may agree, provided that on or before such date the following conditions shall have been satisfied, namely:—

(*a*) that this scheme shall have been approved (with or without amendment) by the members of the Institute in general meeting, and the bye-laws of the Institute shall have been duly altered and such alterations shall have been duly allowed by the Government of the Republic of Ireland and by the Governor and Privy Council of Northern Ireland; and

(*b*) that resolutions approving the scheme of integration (with or without amendment) which has been agreed between the Councils of the Institute of Chartered Accountants in England and Wales and of the Society shall have been passed by the members of that Institute in general meeting, and the Charters and bye-laws of that Institute shall have been duly amended and (where requisite) such amendments shall have been duly allowed by the Privy Council; and

(*c*) that this scheme—and the scheme referred to in section (*b*) above—shall have been approved (with any amendments approved by the said respective Institutes) by the members of the Society in general meeting and an effective resolution of the members of the Society shall have been passed for the voluntary winding up of the Society.

(ii) For the purposes of sub-clause (i) of this clause any resolution or alteration of bye-laws as aforesaid which may be required in order to satisfy any of the conditions therein mentioned shall be deemed to have been duly passed or made notwithstanding that such resolution is or is expressed to be conditional upon this scheme becoming effective.

(iii) A certificate signed by the Secretary of the Institute and the Secretary of the Society duly authorised by their respective Councils that this scheme has become effective and as to the date upon which this scheme became effective shall be conclusive.

(iv) Unless this scheme shall have become effective on or before December 31, 1957, or such later date (if any) as the Councils of the Institute and of the Society may agree, it shall be null and void.

Taxation

The New Schedule E

by Margaret H. Thatcher, M.A., B.Sc.

BEFORE THE Finance Act, 1956, "employments" were divided for tax purposes into three categories:

(1) Employments being public offices within the United Kingdom;

(2) Employments not of a public nature (excepting those being "possessions out of the United Kingdom"); and

(3) Employments being "possessions out of the United Kingdom."

(1) *Employments being "public offices or employments of profit" within the United Kingdom*

Emoluments from employments in this category were chargeable under paragraph 1 of Schedule E (Section 156 of the Income Tax Act, 1952).

The Royal Commission on Taxation, commenting on the phrase "public offices and employments of profit," said "No one knows precisely what this category covers: it is only certain that it covers more than it would be expected to." (Cmd. 9474, paragraph 305 (1).) The difference between paragraphs 1 and 2 of Schedule E was really between jobs which were "offices" and those which were not. An "office" was a permanent position which had an existence independent of the person who filled it—for example, a directorship of a limited liability company. On the other hand, the position of foreign agent to a company was not an "office." The significance of the word "public" was never exactly determined, but it was held that a director of a private company held a "public" office.

For chargeability under paragraph 1, it was immaterial whether or not the holder of the office was resident in the United Kingdom or whether he performed part or all or any of his duties in this country. If the public office itself was within the United Kingdom, the emoluments from it were chargeable under this head. As a result, a resident of the United States who performed all his duties either there or in Canada, but who was a director of an English private company, was held to be taxable on his emoluments from the directorship on the grounds that it was a public office within the United Kingdom—*Macmillan* v. *Guest* (1942) 24 T.C.190. On the other hand, a resident in London who performed all his duties there in his capacity as East African Commissioner in London was not taxable under this head as his office, though a public office, was situated in East Africa—*Thomas* v. *Norton* (1952) 34 T.C. 398.

(2) *Employments not of a public nature.*

Emoluments from employments under this head were originally taxable under Case II of Schedule D. The employments were transferred in 1922 to paragraph 2 of Schedule E (which became paragraph 2 of Section 156), but the emoluments from them were to be chargeable under paragraph 2 only if they would previously have been chargeable under Case II of Schedule D. In the result income from such employments was taxable under paragraph 2 in the following circumstances:

(*a*) Residents were liable if payment for the employment was made in the United Kingdom, regardless of where the duties were performed. For example, a taxpayer, resident in the United Kingdom for tax purposes, was employed by an English company as manager of its gold mines in West Africa. All his duties were performed in West Africa but his salary was paid in England and he was therefore taxable under this head—*Eaton-Turner* v. *McKenna* (1937) A.C. 162;

(*b*) Non-residents were liable on their emoluments to the extent to which they exercised their duties in the United Kingdom. In the "old" system of taxation of employments this was the only instance in which liability was dependent on the place where the duties were exercised. Had the director in *Macmillan* v. *Guest* referred to above not held a "public office," but an ordinary employment in the United Kingdom, he would not have been taxable on his emoluments as none of the duties of his employment were performed here.

(3) *Employments being possessions out of the United Kingdom.*

Emoluments from employments in this category were taxable under Case V of Schedule D. The importance of distinguishing between employments under heads (1) and (2) above and those under Case V was that liability under heads (1) and (2) was on the arising basis, while it was on the remittance basis under Case V.

The word "possessions" was construed as "sources of income," and the source of an employment was outside the United Kingdom if the contract of employment had a locality and the payment for the employment was made outside the United Kingdom. The argument that the source of income was the place where the duties were exercised was rejected by the Court of Appeal in *Bennett* v. *Marshall* (1938) I.K.B. 591, and by the House of Lords in *Bray* v. *Colenbrander* (1953) A.C. 503. In the second case a London correspondent of a Dutch newspaper resided and performed all his duties in London. His salary was paid by a Dutch Corporation in Holland and he was held to be taxable within Case V.

Schedule E and the Finance Act of 1956

A new scheme for the taxation of emoluments from employments and offices is enacted by the Finance Act of 1956. The Act makes four changes:

(1) It amends Schedule E as it existed immediately

prior to the Act, making it apply to income from pensions and annuities only. This change has resulted in (*a*) the abolition of the category of "public offices" (with one exception, mentioned below) and (*b*) bringing to an end the difference between the conditions of chargeability of public offices under the former paragraph 1 and those of other employments under the former paragraph 2 of Schedule E.

(2) It deletes all reference to employments from Schedule D, thereby terminating the treatment of an employment as a "possession outside the United Kingdom" under Case V of that Schedule.

(3) It enacts a new paragraph to Schedule E, and from the year of assessment 1956/57 the new one is the only paragraph under which emoluments from offices and employments are to be chargeable. The place where the duties are performed is now the basic test for liability.

(4) In Schedule 2 to the Act it provides a new set of "machinery rules" applicable to Schedule E and amends accordingly the rules in the Ninth Schedule to the Income Tax Act of 1952. All references in this article to the Second Schedule and the Ninth Schedule are to the Second Schedule of the Finance Act, 1956, and the Ninth Schedule of the Income Tax Act, 1952.

Cases I and II of Schedule E

Case I of Schedule E—Persons resident and ordinarily resident

If the person holding the office or employment is (*a*) resident and ordinarily resident and (*b*) does not perform the duties of the office or employment wholly outside the United Kingdom and (*c*) the emoluments are not excepted as foreign emoluments, tax is charged on any emoluments for the year of assessment.

Case II of Schedule E—Persons not resident or not ordinarily resident

If (*a*) the person is not resident or, if resident, not ordinarily resident and (*b*) the emoluments are not excepted as foreign emoluments, tax is charged on any emoluments for the year of assessment in respect of duties performed in the United Kingdom.

It is convenient to consider Case I and Case II of Schedule E together, for many of the machinery rules are common to both and foreign emoluments are excepted from both. The remarks under the next four italicised heads apply, then, to both Cases.

Place of performance of duties

If the employment is in substance one in which the duties are performed abroad, paragraph 5 of the Second Schedule provides that incidental duties carried out within the United Kingdom are to be treated as if they were performed abroad.

As far as Case I is concerned the effect of this paragraph is that such incidental duties are not sufficient to make a person who is resident and ordinarily resident taxable on all his emoluments; for him to be so taxable, the employment must be partly or wholly performed here. Mere incidental duties only would not be taxable under Case II as "duties performed in the United Kingdom."

There are three occasions when for the purposes of Cases I and II duties not actually performed within the physical boundaries of the United Kingdom are treated as performed here. These occasions relate to the performance of:

(1) duties of an office or employment in the Republic of Ireland by a resident of the United Kingdom. This provision is to continue so long as the double taxation agreements with the Republic of Ireland are in force (paragraph 7 (1) of the Second Schedule);

(2) duties (*a*) by a resident or non-resident on a vessel on a voyage not extending to a port outside the United Kingdom, or (*b*) by a resident on a vessel or aircraft engaged on a journey which begins and ends in the United Kingdom or on a part beginning and ending in the United Kingdom of any other journey (paragraph 6 (*b*) of the Second Schedule);

(3) duties of any office or employment under the Crown being an office or employment of a public nature and of which the emoluments are payable out of the public revenue of the United Kingdom or Northern Ireland (paragraph 6 (*a*) of the Second Schedule). This paragraph replaces a similar provision in paragraph 16 (2) of the Ninth Schedule. An office or employment of a "public nature" appears to be similar in meaning to the "public offices" or employments of a public nature which were otherwise abolished under the new Schedule E. The provision may lead to difficulties, for as the duties of an ordinary employment not of a public nature are not treated as performed in the United Kingdom, the question of when an office is of a public nature still has to be decided in order to determine the tax liability of Crown servants.

Examined in relation to Case II, this provision may result in creating some anomalies, for as residence is not a condition precedent for Case II to apply, it is possible for a person holding a public office under the Crown outside the United Kingdom, who is not resident in and who has never been to this country, to be taxable under this Case on the grounds that he is treated as performing his duties here.

Periods of absence

If a person ordinarily performs the duties of the employment within the United Kingdom, then for the purposes of Cases I and II his emoluments for any period of absence from the employment are treated as emoluments in respect of duties performed in the United Kingdom except in so far as he can show that, had it not been for the absence, the payments would have been for duties performed outside the United Kingdom (paragraph 4 of the Second Schedule). There is thus placed on the taxpayer the onus of proof of displacing the assumption that the emoluments were for duties performed in the United Kingdom.

Expenses and allowances

As far as Cases I and II are concerned there has been no change in this connection. The position with regard to expenses is still governed by Rules 7 and 8 of the Ninth

Schedule. Capital allowances in respect of plant and machinery under Chapter II of Part X of the Income Tax Act, 1952, still apply to Cases I and II, by virtue of Section 302 of the Income Tax Act 1952. If emoluments from duties performed in the Irish Republic are taxable because those duties are deemed to be performed in the United Kingdom, any annual payments payable out of those emoluments to a person not resident in the United Kingdom are deductible from the emoluments (paragraph 7 (1) of the Second Schedule).

Foreign emoluments

Foreign emoluments which are excepted from Cases I and II are defined as "emoluments of a person not domiciled in the United Kingdom from an office or employment under or with any person, body of persons or partnership resident outside and not resident in the United Kingdom."

A person's domicile is the country "in which he has his home and intends to live permanently" (*First Report of the Private International Law Committee*, Cmd. 9068, paragraph 6). There may be difficulty if a British subject, after emigrating to another country with the intention of making his home there, has later been employed by a company resident in that country on duties involving his returning to the United Kingdom with his family for a substantial period. The domicile of such a person can be decided only on the particular facts. Questions of domicile are to be determined by the Commissioners of Inland Revenue. An appeal from their decision lies to the Special Commissioners and thence by way of case stated to the High Court (Section 10 (3) of the Finance Act, 1956).

A company is resident where "the central management and control actually abides" (*De Beers Consolidated Mines Ltd.* v. *Howe* (1906) A.C. page 458). A company can be resident in two places at the same time (*Swedish Central Rail. Co.* v. *Thompson* (1925) A.C. 495): unless it is both "resident outside and not resident in" the emoluments therefrom will not be foreign emoluments. According to the Financial Secretary to the Treasury, the words "resident outside and not resident in the United Kingdom" are designed "to cover the possible case of an international body which, it might be contended, was not resident anywhere. At any rate, that is the purpose of the words—to put that matter beyond doubt" (*Hansard*, July 10, 1956, Vol. 556, No. 188, Col. 220). Whether the Financial Secretary's explanation puts "that matter beyond doubt" is itself doubtful! To claim the benefit of the exception, a body must be not only "not resident in the United Kingdom" but "resident outside," and it cannot be "resident outside" if it is not resident anywhere.

Partnerships controlled abroad are deemed to reside outside the United Kingdom, although some of the members of the partnership may be resident here and some of the trading operations may be conducted here (Section 147 of the Income Tax Act, 1952).

Foreign emoluments are not to include emoluments of a person resident here from an employer resident in the Republic of Ireland (paragraph 7 (3) of the Second Schedule).

The effect of the provision with regard to foreign emoluments is that these emoluments will be chargeable only under Case III, and then only if the employee is resident. It will be noted that foreign nationals are taxable under Cases I and II if they have become domiciled here, or if the business for which they work is resident here, even though it is also resident abroad.

Two points apply to Case II only. Firstly, if an employment is performed partly here and partly abroad, an apportionment of emoluments will be necessary, only emoluments in respect of duties performed here being taxable under Case II. The treatment is similar to the former treatment of non-residents under Case II of Schedule D. Secondly, by paragraph 7 (2) of the Second Schedule, so long as the double taxation agreements with the Irish Republic are in force, persons resident in that Republic but not resident in the United Kingdom are not chargeable to tax under Case II.

Case III

A person resident in the United Kingdom is liable on any emoluments received in the United Kingdom in the year of assessment which are:

(*a*) emoluments for the year of assessment, or

(*b*) emoluments for an earlier year in which he has been resident in the United Kingdom, or

(*c*) emoluments received in an earlier year in respect of the year of assessment.

On the face of it this Case would overlap in many instances with Cases I and II. It is therefore provided by paragraph 1 (2) of the Second Schedule that tax under Case III shall be charged only on those emoluments that do not fall under Case I or Case II in either the same or another year of assessment. Nor shall tax under Case III be chargeable on any emoluments charged under Schedule E prior to the year of assessment 1956/57. In the result, Case III applies to the four following groups of persons on their remitted emoluments:

1. Persons resident and ordinarily resident on duties wholly performed overseas. (These persons are outside Case I);
2. Persons resident on duties wholly performed overseas. (These persons are outside Case II);
3. Persons resident but not ordinarily resident on that part of their duties performed overseas. (That part escapes Case II);
4. Persons resident here but domiciled overseas and employed by an employer resident outside and not resident in the United Kingdom.

Residence

The question of residence is particularly important in Case III as liability is dependent upon it. The only two statutory rules relating to the determination of residence and ordinary residence (Sections 368 and 375 of the Income Tax Act, 1952) have been added to in the Finance Act of 1956, though the recommendations in this respect of the Royal Commission on the Taxation of Profits and Income have not been fully carried out (see paragraph 293 of the majority report).

Hitherto a person who maintained a place of abode in the United Kingdom was treated as resident if he visited the United Kingdom during the year of assessment. This treatment has now been relaxed by Section 11 (1) of the Finance Act, 1956, whereby if a person works full time in an employment (or profession or vocation) *all* the duties of which are performed outside the United Kingdom, the question whether he is resident here is to be decided without regard to any place of abode maintained in the United Kingdom. Incidental duties are to be disregarded in deciding whether *all* the duties are performed abroad—Section 11 (3).

Paragraph 3 of the Second Schedule enacts a rule for Schedule E similar to that contained in Section 375 of the Income Tax Act, 1952, for Schedule D—namely, a person in the United Kingdom for a temporary purpose only, with no intention of establishing his residence here, shall not be treated as resident unless he has spent a total of six months here during the year of assessment. The months are calendar months and fractions of a day must be added together to see whether the total period exceeds six calendar months (that is, one half of 365 days or of 366 days in a leap year) in the year of assessment—*Wilkie* v. *C.I.R.* (1951) 32 T.C. 495.

Where a person could *prima facie* be chargeable only under Case III, the fact that he maintains a place of abode here or is physically present here for a period of less than six months, with no intention of becoming resident, is not therefore sufficient to render him liable to tax under Case III on emoluments received in the United Kingdom.

If a dispute arises about whether a person is or has been resident in the United Kingdom the question is to be determined by the Commissioners of Inland Revenue. Provision is made for an appeal to the Special Commissioners and thence by way of case stated to the High Court—Section 10 (3) of the Finance Act, 1956.

Computation of liability on remitted emoluments

1. Under Case V of Schedule D computation was based on the sums received in the year *preceding* the year of assessment; under Case III of Schedule E it is upon the emoluments received *in* the year of assessment. The sums remitted in the year 1955/56 will not therefore be the subject of charge, as by Section 10 (2) of the Finance Act, 1956, they cannot be charged for the year of assessment 1956/57 under Case V, and tax for 1956/57 is chargeable under Case III on the sums received in *that* year.

2. Under Case V liability arose on "the full amount of the actual sums received": the year in which such sums arose was immaterial. Under Case III the only "emoluments received" that are liable are emoluments (*a*) for that year of assessment or (*b*) for an earlier year in which the employee has been resident here or (*c*) received in an earlier year in respect of the year of assessment under consideration. Some emoluments may have been liable under the old Case V but escape chargeability under Case III if, for example, the residence qualification under (*b*) has not been satisfied.

3. For the purposes of Case III emoluments are treated as being received in the United Kingdom if they are "paid, used or enjoyed in or in any manner or form transmitted or brought to the United Kingdom . . ."—paragraph 8 of the Second Schedule. This new definition seems to include everything stated at much greater length in Section 132 (3) (*b*) of the Income Tax Act, 1952, applicable to Case V; Section 24 of the Finance Act, 1953, under which income applied outside the United Kingdom in payment of debts is treated as received inside the United Kingdom, applied to Case V and also applies to Case III.

4. Capital allowances on machinery and plant used for the purposes of the employment did not apply to emoluments from oversea employments taxed under Case V. Paragraph 2 (1) of the Second Schedule provides that if emoluments fall to be taxed under Case III, the allowances under Chapter II of Part X of the Income Tax Act, 1952, "shall apply as if the performance of those duties did not belong to that office or employment." The effect of this strangely phrased paragraph seems to be to preserve the *status quo* and prevent capital reliefs from applying to emoluments under Case III.

5. The expenses rule has been modified in relation to Case III. The following expenses are deductible from Case III emoluments:

(*a*) expenses defrayed out of those emoluments;

(*b*) any other expenses defrayed in the United Kingdom in the year of assessment; and

(*c*) any other expenses defrayed in the United Kingdom in an earlier year in which the holder of the office has been resident in the United Kingdom,

provided that in each instance the expenses are such that a deduction would have been made under paragraph 7 of the Ninth Schedule from emoluments of the employment if they had been chargeable under Case I for the year when the expenses were incurred.

It can be seen that to some extent expenses are deductible in a later year than that in which they were defrayed. There is a provision to prevent a deduction in respect of the same expenses from being made more than once. The same expenses will not therefore be allowed in different years under Case III, nor can they be claimed under another Case as well as under Case III.

Anomalies Removed by the New Treatment of Employments

Firstly, the British subject, resident and domiciled here but employed under a contract of employment with an oversea employer providing for the salary to be paid overseas, has hitherto been taxed on a remittance basis under Case V of Schedule D even though his duties were performed in the United Kingdom. He was thus able to accumulate a tax-free sum overseas. He now comes within Case I or Case II, as he cannot claim the benefit of the exception relating to foreign emoluments. Moreover, any person resident and performing all his duties in the United Kingdom for an oversea employer will be liable on his full emoluments unless he is domiciled abroad.

Secondly, a non-resident director of a private company in the United Kingdom who, as in *McMillan* v. *Guest*

(1942) 24 T.C. 190, performs all his duties abroad will not now be liable to tax on his emoluments as no duties are performed here and he is not resident here.

Thirdly, if the duties of the office are wholly performed abroad (as in *Eaton Turner* v. *McKenna* (1937) A.C. 162, where the taxpayer was employed in West Africa as manager of some gold mines) there would be no liability under Case I or Case II, although Case III may apply if the person holding the office is resident here. But the new provisions with regard to residence may result in there being no liability whatsoever.

Non-Residents Domiciled Abroad

The position of foreign nationals resident and working here but domiciled abroad and employed by an oversea employer is substantially the same under the new legislation as it was under Case V of Schedule D—owing to the provision relating to foreign emoluments, inserted at the Report stage of the Finance Bill. A secondary effect of this provision has been to improve the tax position of certain non-residents. Formerly, non-residents were taxable on emoluments from duties exercised in the United Kingdom (Case II of Schedule D as transferred to paragraph 2 of Schedule E). Now, non-residents can only be taxed under Case II of Schedule E and foreign emoluments are specifically excepted from this Case. Non-residents who are not domiciled in the United Kingdom and who are employed by an oversea employer are not therefore taxable on emoluments from duties performed in this country.

Taxation Notes

Partnership Assessments and Surtax

Normally the whole income of a partnership, computed in accordance with the provisions of the Income Tax Acts, is divisible between the partners and thus may be liable to surtax. But, in certain circumstances, while the full income of the partnership, if at an annual rate in excess of £2,000 for each partner, is liable to income tax, some part thereof may not be liable to surtax. The obvious example is if a limited company, to which the provisions of Section 245, Income Tax Act, 1952, do not apply, is a partner. Profits tax will then apply to the company's share of the profits of the partnership, which will be aggregated with the company's other profits. If a limited company is not involved, however, it is possible that surtax will not be levied on part of the profits. Section 2, Income Tax Act, 1952, provides that an individual shall be charged to surtax on the excess of his income over a specified minimum amount, which is at the present time £2,000. But for any sum to be assessable to surtax, it must form part of an individual's income for a particular year of assessment. If, therefore, any part of the income of a partnership does not become the income of an individual or form part of the share of the partnership profits to which that individual is entitled during the year, then such part cannot be assessed to surtax.

In the case of *Stocker* v. *C.I.R.* (1919, 7 T.C. 304) Dr. Stocker died on April 24, 1910, and bequeathed to his two sons, Captain Stocker and Mr. H. G. Stocker, a *life* interest in his business as proprietor of asylums for the insane, provided his sons entered into partnership. The trustees of Dr. Stocker's estate, on being required by the sons to transfer the assets of the business, agreed to do so provided the sons set aside out of profits a reserve fund for the purpose of recouping any loss which might thereafter fall on Dr. Stocker's business estate. By setting up this reserve fund it was anticipated that the capital of the estate could be maintained and the rights of the remaindermen protected. The sons accordingly covenanted by deed with the trustees that the reserve fund should be provided by setting aside half-yearly a sum calculated at the rate of £12 for every £100 of net profit. Sums standing to the credit of the reserve fund could be applied from time to time for the purposes set out in the deed of covenant or for such other purposes as the trustees might authorise, and subject thereto the reserve fund would belong to the partners in equal shares. Captain Stocker claimed that his share of sums paid into the reserve fund was not his income for the purposes of super-tax (now called surtax). The judge indicated that if the sums set aside were accumulated either by the sons for themselves or by other people on their behalf, such sums would not be deductible from the sons' income. But in the circumstances of the case, the remaindermen under the will were entitled to have the reserve fund maintained and the necessary payments made to it. There was, therefore, a beneficial ownership in the fund separate and distinct from that in the remainder of the partnership assets. The net profits of the partnership must be reduced by the sums paid into the reserve fund.

In the case of *E. L. Franklin* v. *C.I.R.* (1930, 9 A.T.C. 219), Mr. E. L. Franklin received the profits, but did not have to pay super-tax thereon as he was not entitled to any part of those profits in the years in which the income arose. Under the provisions of the partnership deed a partner could, by will, nominate a person to succeed him, but that person must be engaged in the business of the partnership for not less than two years and could be admitted only by the consent of the other partners. The nominated person was entitled to share in the profits from the date of admission. A Mr. F. S. Franklin, who was a partner in the firm, died in 1918 and nominated his son in his stead. By 1920, the son had completed his two-year period and he remained with the firm until 1926, but the other

partners never consented to his admission to the partnership. From 1918 to 1926 the share of profits to which Mr. F. S. Franklin had been entitled prior to his death was carried to a suspense account. In 1926 the partners formally refused to admit the son as a partner in the firm. Thereupon Mr. E. L. Franklin as one of the partners automatically received his aliquot part of the balance standing to the credit of the suspense account. Assessments were raised upon him in respect of the sum received. The Special Commissioners held that the sum received by Mr. E. L. Franklin out of the share of profits carried to suspense account in the years 1918 to 1926 were received by him in respect of his share of the partnership profits in those years, and confirmed the assessments. The judge reversed their decision. Had he been admitted, the son would have been entitled to the profits carried to suspense account from the date of his admission. Mr. E. L. Franklin became entitled to such profits only on the happening of some future event, i.e. the non-admission of the son. Therefore, Mr. E. L. Franklin was not entitled to a share of those profits in the years which passed before that event happened. As a result the sum received by Mr. Franklin suffered income tax but not super-tax. The judge considered that the position in this case was similar to that of contingent interests in a trust fund, see *Stanley* v. *C.I.R.* (1944, 26 T.C. 12).

The same problem does not arise with income tax. The income tax assessment on a firm is a joint assessment made in the partnership name and not separately on the individual partners constituting the firm (Section 144, Income Tax Act, 1952). Relief is given, in practice, for the personal reliefs of partners but this does not alter the fact that the source of the income on which income tax is to be charged is the firm.

Receivability of Income

"Income tax is a tax on income and is not meant to be a tax on anything else" (Lord Macnaghten). But for a liability to income tax to arise, something must be received or enjoyed. If a man's salary is credited to his bank account something is received and income tax can be levied on the amount of the salary. In the case of *Dewar* v. *C.I.R.* (1935, 14 A.T.C. 329), Mr. Dewar had been left a pecuniary legacy of £1,000,000 and a residuary gift in the will of Lord Dewar. Under the ordinary rule, the legacy carried interest at 4 per cent. per annum as from the first anniversary of death. However, although Mr. Dewar received sums on account of the legacy, he never received any sums in respect of the 4 per cent. interest. In fact, acting on the advice of his accountant, Mr. Dewar decided to allow the question of interest on the legacy to stand over. Despite this, the Revenue assessed him to surtax on £40,000. Mr. Dewar appealed and won his case, the Court of Appeal holding that as he had made no demand for the payment of interest on the legacy, as he had given no directions in respect of the £40,000, and as nothing had been appropriated to his use, he had not received or enjoyed anything. The Crown argued that the fact that Mr. Dewar did nothing about claiming the interest was irrelevant; he was entitled to it. But as had been stated in *Simpson* v. *Maurice* (1929, 8 A.T.C. 426) "the facts must be taken as they are in truth and in substance; then if income tax attaches, it can be recovered; but if it does not attach, then the income tax is lost from it." The Court could not alter the facts so that the Crown could receive some tax. In this case the Court of Appeal followed Mr. Justice Rowlatt in *Leigh's* case (1928, 11 T.C. 590), where he said "it is to be remembered that for income tax purposes 'receivability' without receipt is nothing. Before a good debt is paid there is no such thing as income tax upon it."

As has been shown in the previous note on partnership assessments, income must be related to a year to be chargeable to surtax. Where the payment is made under deduction of tax the rate of tax to be deducted depends on the provisions of Sections 169 and 170 of the Income Tax Act, 1952. Under Section 169 any person liable to make an annual payment wholly out of profits or gains brought into charge to tax shall be entitled on making the payment to deduct and retain out of it a sum representing the amount of tax thereon at the standard rate for the year in which the amount payable becomes due. In *Re Sebright, Public Trustee* v. *Sebright* (1944, 23 A.T.C. 190) Vaisey, J., held the proper deduction for tax was the tax computed at the rates of tax in force at the respective dates when the payments became legally due. Therefore, annual payments from which tax is deducted under the provisions of Section 169 are income of the year in respect of which they are due, not income of the year in which received.

Under the provisions of Section 170, if any annual payment is not wholly payable out of profits or gains not brought into charge to tax, the person making the payment must deduct tax at the standard rate in force at the time of payment. Thus the annual payment must be regarded by the recipient as income of the year in which he receives the sum. If interest is paid in a later year than the due year, but in the due year could have been paid wholly or partly out of taxed income, an allowance is made, in fixing the tax to be paid over to the Revenue under the provisions of Section 170, for the tax which the payer would have been entitled under Section 169 to deduct and retain if the interest had been paid at the due date.

Small Income Relief

The effect on small income relief of building society interest received is the same as on age relief.

Illustration

Income of a single person, forty years of age, for 1956/57:

	£	£
Building society interest ..		30
Investment income		270
		300
Deduct: National Insurance relief	13	
Small income relief (2/9ths of £(300—13))	64	
Personal relief ..	140	
Building society interest	30	
		247
		£53

	£	s.	d.
Tax chargeable: £53 at 2/3 ..	5	19	3
Tax deducted at source: £270 at 8/6	114	15	0
Repayment ..	£108	15	9

Had there been a further £90 of taxed income, the position would have been:

	Marginal Relief		*No Marginal Relief*	
	£	£	£	£
Building society interest		30		30
Investment income		360		360
		390		390
Deduct: National Insurance relief ..		13		13
		377		377
Deduct: "Margin"		77		
		300		
Small income relief (2/9ths of £300)	67		—	
Personal relief ..	140		140	
Building society relief	30		30	
	—	237	—	170
		£63		£207

	£	s.	d.	£	s.	d.
Tax chargeable:						
£60 at 2/3 ..	6	15	0	6	15	0
£3 at 4/9 ..		14	3			
£147 at 4/9 ..				34	18	3
9/20ths of "margin" of £77 ..	34	13	0			
	£42	2	3	£41	13	3

Marginal relief is not claimable, and the repayment becomes:

	£	s.	d.
Tax deducted at source: £360 at 8/6	153	0	0
Less: Tax chargeable ..	41	13	3
	£111	6	9

Discretionary Trusts

A discretionary trust is one by which a settlor gives to the trustees a discretion as to the application of the income and capital to which the trust relates. It is a useful way of providing for dependants, pensioners and so on after the settlor's death, since the settled property can be preserved for a considerable period without attracting estate duty. The following features must be noted:

(*a*) Estate duty will be attracted if the settlor dies within five years of the formation of the trust. Similarly, if further property is later put into the trust, that further property will attract estate duty if he dies within five years of its being added.

(*b*) The trustees must have an absolute discretion as to the application of the trust funds. A trustee must not be a beneficiary since that would make him competent to dispose of the whole property and make it liable to estate duty on his death; nor should the settlor be a beneficiary.

(*c*) The trust must not offend the perpetuity rule.

(*d*) The qualifications for membership of the class of beneficiaries must remain constant so long as the trust lasts.

Sources of Income chargeable under Schedule D, Cases I and II

Tax is to be charged under Case I of Schedule D in respect of any trade carried on in the United Kingdom or elsewhere; under Case II in respect of any profession or vocation not contained in any other Schedule (Section 123, Income Tax Act, 1952).

Trades

"Trade" includes every trade, manufacture, adventure or concern in the nature of trade (Section 526). All farming and market gardening in the United Kingdom is treated as the carrying on of a trade or, as the case may be, of a part of a trade. So is the occupation of land in the United Kingdom for any purpose other than farming, if the land is managed on a commercial basis and with a view to the realisation of profits. The only exception is woodlands which are managed on a commercial basis; these are assessed under Schedule B on the assessable value (one-third of the gross annual value—Section 83 of the 1952 Act) unless the occupier has elected to be assessed under Schedule D, Case I (Sections 124 and 125).

Whether or not a trade is being carried on is a question of fact, but failure by the Appeal Commissioners to appreciate the true nature of the evidence opens their decision to review as a question of law.

Except in the case of land managed on a commercial basis, it seems that the making of profits need not be a desire of the persons carrying on a trade. There may be a trade, though there is no desire to make a profit (see *Re Duty on Estate of Incorporated Council of Law Reporting for England and Wales*, 1888, 22 Q.B.D. 279, per Lord Coleridge, C.J., page 293).

"Trading" normally requires continuity, but an isolated purchase and sale may be an adventure in the nature of trade (see *Rutledge* v. *C.I.R.*, 1929, 14 T.C. 490, where a moneylender, also interested in the cinema business, bought a large quantity of toilet paper and sold it to one person at a profit; also *Martin* v. *Lowry*, 1925–26, 11 T.C. 297, where the purchaser of a large quantity of linen sold it by numerous sales over a short period). A succession of sales at a profit is likely to be regarded as trading. It is necessary to review the facts to see whether there is an adventure in the nature of trade or a conversion of capital in one form into capital in another. The fact that the trade may be illegal does not detract from its being chargeable to income tax (*Mann* v. *Nash*, 1932, 16 T.C. 523 (illegal machines); *Southern* v. *A.B.* 1933, 18 T.C. 59 (street-bookmaking)).

The profits of a trade exercised for the primary purposes of a charity, or mainly carried on by beneficiaries of a charity, are exempt if applied solely to the purposes of the charity (Section 448 of the 1952 Act).

Trades abroad

Although Case I refers also to the profits of a trade carried on elsewhere than in the United Kingdom, it must be read with Case V. If a trade is managed and controlled in the United Kingdom, it is liable under Case I, but if it is carried on entirely outside the United Kingdom by a person resident in the United Kingdom it is liable under Case V (*Colquhoun* v. *Brooks*, 1889, 2 T.C. 490). If so carried on outside the United Kingdom by a person residing abroad, the trade is not taxable at all (Section 122 of the 1952 Act).

Professions and Vocations

The word "vocation" is analogous to

"calling", a word of wide signification meaning the way in which a man passes his life (*Partridge* v. *Mallandaine*, 1886, 2 T.C. 180). Employments and offices of profit are assessed under Schedule E but free-lance work such as that of a professional bookmaker (*ibid.*), a professional actor (*Davies* v. *Braithwaite*, 1931, 18 T.C. 198), a professional writer (*Mackenzie* v. *Arnold*, 1952, 33 T.C. 363), comes under the head of profession or vocation.

Income from a profession or vocation wholly carried on abroad by a person resident in the United Kingdom is assessable under Case V. A company cannot carry on a profession (*Esplen* (*Wm.*), *Son & Swainston* v. *C.I.R.*, 1919, 2 K.B. 731; *C.I.R.* v. *Peter McIntyre*, 1927, 12 T.C. 1006).

Tips

"John Doe" in *The Chamber of Commerce Journal* for January, 1957, writes:

> I have often wondered, like many other people no doubt, about the origin of the word "tip"—in the sense of a gratuity. Looking through a most interesting and informative book just published on the history of the well-known tea and coffee firm of Twinings I came across this paragraph:
>
> "It is said that by 1683 there were over 2,000 coffee houses in London alone. There was usually a 'cover charge' of a penny and the coffee was sold at twopence a dish. Incidentally, the word 'tip' is reputed to have originated in coffee houses. Nailed to the walls were boxes into which the patron who required especially good or rapid service would put money. Each box bore the words 'to insure promptness', the initials spelling T.I.P."

This theory of the origin of the tip is interesting. It raises the question who emptied the boxes!

Today, the tip goes direct to the employee: taxi-driver, waiter, porter, delivery-man, or whoever he may be, and he has to pay tax on it. In *Hunter* v. *Dewhurst* (1932) 16 T.C. 605, Lord Atkin said, speaking of Schedule E: "Rule 1 appears to me to indicate emoluments either received from the employer or from some third party (such as tips, permitted commission and the like) as a reward for services rendered in the course of the employment." Then in *Calvert* v. *Wainwright* ([1947] K.B. 526; 27 T.C. 475) it was held that a taxi-driver is properly assessed in respect of his tips. The amount was estimated in that case, as it always has to be.

Any receipt coming to an employee by reason of his office is generally taxable, no matter what was the motive of the payer.

In *Moorhouse* v. *Dooland* (1955, 33 A.T.C. 410) Mr. Dooland was a professional cricketer and it was held that sums received by him as collections from the public were taxable if the collections were made by reason of an express clause in his service agreement. The case was distinguished from *Reed* v. *Seymour* (1927, 11 T.C. 625), where a cricketer had received a benefit that was regarded as a testimonial to his personal qualities and not remuneration for services as there was no clause in his service agreement entitling him to a benefit.

It is the character in which the recipient received it that determines liability, as was seen in *Bridges* v. *Hewitt* ([1956] 3 All E.R. 789), where directors were assessed on the value of shares given to them (not by the company).

Football Pools and Small Lotteries

If a football pool is run by a football pool supporters' club on the basis that a specified percentage of the sum received from each competitor will be paid as a gift to the football club, tax assessments cannot be raised on the pool. The Special Commissioners have held that this donation element formed no part of the receipts to be taken into account in computing for income tax purposes the profits of the trade of promoting the pool. It is understood that this decision will be accepted by the Inland Revenue as governing all cases where a small lottery or football pool is run by a supporters' club on the basis that a stated percentage of the cost of each ticket will be given to a club established and conducted wholly or mainly for one or more of the purposes specified in sub-Section (1) of Section 1 of the Small Lotteries and Gaming Act, 1956.

The only point that appears to be outstanding is whether the sums received by the football club are taxable in the hands of the club. It will be interesting to see what is the attitude of the Inland Revenue.

Inquiry into the *Gourley* Principle

The principle—established in the *British Transport Commission* v. *Gourley* case [1956] A.C. 185 and widely criticised—that the liability to tax of a person awarded damages should be taken into account in assessing the amount of damages is to be reviewed by the Law Reform Committee at the request of the Lord Chancellor.

Delayed Allowances

We regret that in the note in our February issue, on page 69, wrong dates were stated for the years in which relief would be given for losses. The second sentence of the note should read:

> For example, if a taxpayer in 1955/56 had a total income of £1,800 and sustained a business loss in that year of £2,000, he could claim a repayment of all tax borne in 1955/56 and then make a Section 341 claim in respect of the balance of £200 in 1956/57.

Extra-Statutory Concessions

The last report of the Board of Inland Revenue, the subject of a note on page 111, gives two concessions additional to those published in previous reports and notes one concession that has ceased to operate. We reproduce the concessions. The Board stated that the additional concessions are of general application, but that it must be borne in mind that there may exist special circumstances to be taken into account in considering their application.

Additional Concessions

INCOME TAX

1. *Deficiency payments in respect of home-grown cereals.*

Deficiency payments in respect of home-grown cereals should in strictness

be credited in the case of wheat and rye, by reference to the dates when the crops were sold and delivered, and, in the case of barley, oats and mixed corn crops, by reference to the dates of harvesting as grain. In practice, except where the "commencing" or "ceasing" provisions apply final deficiency payments for cereals other than wheat are, however, allowed to be brought into account in the farmer's accounting year in which such payments are notified.

Further, where total deficiency payments are small or where they have been dealt with in the accounts in such a way that any adjustment in respect of such payments would be unlikely to make more than a small variation in the profits, no objection is raised to the liability being settled on the basis of the accounts.

ESTATE DUTY

1. *Disclaimer of certain rights under an English intestacy.*

By analogy with the concession relating to the surrender of legal rights in Scottish estates (published in the Board's 93rd Report) where the surviving spouse of a person dying intestate disclaims unconditionally his or her rights under English law to a net sum charged upon the intestate's residuary estate, estate duty is not claimed in connection with the death of the spouse, although it could be claimed under the provisions of Section 45 (2), Finance Act, 1940.

Concession no longer operating

INCOME TAX

"Specially authorised" societies registered under the Friendly Societies Acts.

This concession (number 34 in the 93rd report of the Board and given on page 64 of ACCOUNTANCY for February, 1951) has now been superseded by Section 3 (1) and (4) of the Friendly Societies Act, 1955.

Loss Claims

A reader, writing with reference to the query and reply on page 77 of the February issue of ACCOUNTANCY, points out that in practice there would be no limitation of relief. For purposes of Section 341, as extended by Section 15, Finance Act, 1953, the 1955/56 loss of £4,242 can be used in 1956/57 along with the loss for 1956/57, so that if the proposed dividend is paid the whole of the £3,230 tax can be reclaimed.

Our reader is correct. It is regretted that the second sentence of the query was overlooked.

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT.

Income Tax

Builder—Houses built and additional houses purchased—Intention—Houses let and not sold in pre-war years—Purchase of further additional houses during war years—Reversal of policy of letting in favour of sale — Profits on sales — Whether arising from trade—Income Tax Act, 1952, Schedule D, Case I (Section 123).

As is generally known, one of the results of the Rent Restrictions Acts is that the market value of a house subject to the Acts is much greater if it is to be sold with vacant possession than if it is in the occupation of a tenant who is staying on. Vacant possession of a house, save when the occupier is prepared to leave in consideration of a payment, is in most cases, so far as the owner is concerned, a purely fortuitous benefit; and, in order to realise it, he must sell. As a by-product of this state of affairs, there are and will be inevitably a great many cases where the surplus on one or more property transactions is attributable to this feature, with the result that claims are made by the Revenue that the vendors have been engaged in property-dealing. (A legal problem which can arise was indicated in the present writer's note upon the case of *Wager* v. *Watson* (1956, T.R. 1), ACCOUNTANCY, June, 1956, at page 231.) The case of **Mitchell Bros. v. Tomlinson** (Ch. November 9, 1956, T.R. 377) was of this character. The facts stated below are taken from the General Commissioners' findings as embodied in the judgment.

The appellants, Mitchell Brothers of Dewsbury, showed considerable versatility. They had been in partnership as window-cleaners since 1910, and in 1918 had commenced dealing in "Army surplus stores, boots, shoes, drapery, clothes and like goods." Both of these businesses were continuing. In 1930, they had started building houses, doing the work by sub-contracts with skilled tradesmen. They had also purchased houses. All these houses, whether built or purchased, had been let. At the outbreak of war in September, 1939, the firm held some sixty houses which had been financed by building society loans, and they had sold none. The Commissioners had found that the appellants "mutually agreed to set up an investment fund for their old age," although it is not stated in the judgment whether or how far this intention was carried out.

Between April 6, 1942, and September 9, 1948, the appellants had bought 239 further houses, at very low prices owing to the then conditions; and of these fifty-eight had been sold between April 6, 1946, and April 5, 1952. The 239 bought had cost £26,200 and the fifty-eight sold had realised £22,605. The Commissioners had found that when after the war vacant possession had become of great value, the appellants, who had up till then sold no houses but had only let and relet, had changed their policy and where vacant possession had been obtained of a house had invariably sold it through an estate agent. The Commissioners found that the appellants had carried on the trade of buying and selling properties; and Danckwerts, J., upheld their decision. He said he agreed with counsel for the appellants that, having found an original intention to be proved, the Commissioners had to find the facts from which they could infer a departure from that intention and a changed intention of taking advantage of the opportunities existing after the war of making profits out of the purchase and sale of houses. It was, he said, impossible for him to say that there was no evidence on which the Commissioners could reach their conclusion or that it was one which

could not reasonably be reached on the evidence.

It is not stated whether, in or subsequent to 1947 when sales of houses began, any of the sixty held at the outbreak of war had been sold, but it will be observed that the Revenue claim was restricted to the profits arising from the sale of the 58 houses out of the 239 bought after April 6, 1942. Had any of the 60 been sold, any profit arising from sale, whether due to the "vacant possession" element or not, would seem to be covered by the original proved intention and not to be taxable.

Income Tax

Schedule A—Property maintenance allowance—Lessee of house under 99 years' lease at ground rent—Road made up by local authority—Sum apportioned to and charged to lessee as proportion of cost of making up—Whether sum so charged includible in property maintenance claim as "cost to him of maintenance"—Private Street Works Act, 1892, Section 6—Income Tax Act, 1918, Schedule A, No. V, Rule 8—Income Tax Act, 1952, Sections 94, 99, 100, 101.

In **Davidson v. Decks** (Ch. October 17, 1956, T.R. 349), the appellant, Mr. Davidson, was tenant of a house and land, 32 Sedley Taylor Road, Cambridge, under a 99 years' lease from 1929 at a ground rent of £11 per annum, the property being assessed under Schedule A at £68 gross, £54 5s. net. The road had been made up by the local authority and the appellant had been called upon to pay £76 odd as his share of the cost. This sum he had claimed to be includible in a property maintenance claim under Section 101 of the Income Tax Act, 1952, which Section re-enacted Rule 8 of No. V of Schedule A, Income Tax Act, 1918. The General Commissioners had dismissed his appeal and Danckwerts, J., upheld their decision.

The appellant's contention was that the £76 had been paid by him by reason of his occupation of the land, and the amount ought therefore to be allowable as "maintenance" within Section 101. Against this it was argued by the Revenue that it was not maintenance of the land in question but, if maintenance at all, maintenance of the land which was the site of a road upon which his property fronted. Danckwerts, J., after looking at Section 6 of the Private Street Works Act, 1892, under which the work had been done by the local authority and the charge made on the appellant, said it was plain that he was not charged by reason of any ownership of the road, but simply because he was "owner of the land of which he is tenant"—a somewhat curious expression—and that land fronted on the road in question. Examining Section 101, he held that its operation was confined to maintenance, etc., in respect of the land which was charged to income tax under Schedule A and in respect of that land only. He expressed some sympathy for the appellant: and, apart from the tax question, there is much to be said for a reconsideration when feasible of the provisions of the Private Street Works Act, 1892.

Income Tax

Schedule A—Flat in building owned by company—Common staircase and balcony—Whether assessment to be made on occupier or landlord—Income Tax Act, 1918, Schedule A, No. VII, Rules 8, 12—House Tax Act, 1808, Schedule B, Rule 14—House Tax Act, 1851, Section 2.

Gatehouse v. Vise (Ch. November 8, 1956, T.R. 369) was a case in which, although the Revenue was the respondent, there was no dispute as to the amount of tax liability. The issue was whether in the particular circumstances by virtue of the relevant statutory provisions the tax was payable by a lessor or by a lessee. The appeal had been against an assessment upon the appellant under Schedule A in the sum of £201 as occupier for 1951/52 of flat, No. 3 Kinnerton Yard, London, S.W.1. The building comprised four garages on the ground floor and five flats Nos. 1–5 upon the first floor. There was no means of communication from the garages to the flats, the only access to the latter being by one of two common staircases leading to a balcony on which each flat's front door opened. The landlord, Kinnerton Estate Co. Ltd., was responsible for the repair of the balcony and staircases and the maintenance of three wall-lights. Under the lease of the appellant's flat, the lessee had paid £2,750 and had agreed to pay the annual sum of £1 for a term of 22¼ years from December 25, 1950.

The assessment, £201, was not in dispute as to amount and, digressing, had the flat been an ordinary house the appellant would have been assessed under Schedule A as occupier and would have been entitled to deduct tax from his £1 lease rent, and the difference between the two sums, £200, would have been part of his total income from all sources hiin s capacity as "beneficial occupier," *C.I.R.* v. *Fargus* (1926, 10 T.C. 665), a decision approved in later cases. Appellant, however, had claimed that he was not assessable at all and that the annual value of his flat should have been included in an assessment made upon the landlord in respect of the whole building. If this were correct, there would be no provision whereby the burden of the tax so shifted to the landlord could be transferred to the tenant as "beneficial occupier."

The General Commissioners had held that the flats in question were separately assessable under Schedule A and had confirmed the assessment upon the appellant. Danckwerts, J., however, reversed their decision. The issue in the case depended upon which of two rules in No. VII of Schedule A, Income Tax Act, 1918, applied in the circumstances. Rule 8 is as follows:

> The assessment . . . shall be made upon the landlord in respect of . . . (*c*) any house or building let in different apartments or tenements, and, occupied by two or more persons severally. Any such house or building shall be assessed . . . as one entire house or tenement.

Whilst Rule 12 provides that:

> Where a house is divided into distinct properties and occupied by distinct owners or their respective tenants such properties shall be separately assessed and charged on the respective occupiers thereof.

In order to understand the argument in the case it is necessary to reproduce Rule 14 of Schedule B of The House Tax Act, 1808, because it was a decision under that rule that caused Danckwerts, J., to find that the appeal succeeded. It reads as follows:

> Where any dwelling-house shall be divided into different tenements, being distinct properties, every such tenement shall be subject to the same duties as if the same was an entire house which duty shall be paid by the respective occupiers thereof respectively.

It will be observed that in this last-mentioned rule there is no reference to ownership. Nevertheless, in *Attorney-General* v. *Mutual Tontine Westminster Chambers Association Ltd.* (1876, L.R. 1 Ex. D. 469), it was held that "distinct properties" implied distinct ownership so that by virtue of that decision and the wording of the above-quoted Rule 12 of the 1918 Act the assessment in the present case fell to be made on the landlord. Nevertheless, whilst the decision in the present case was clearly right in law it would seem to have been unnecessary to call in aid perhaps the dreariest of all bodies of case law, that comprising the decisions in regard to the old Inhabited

House Duty. The precursor of the above-mentioned Rule 12, now Section 113 of the Income Tax Act, 1952, was to be found, as Danckwerts, J., observed, in the Income Tax Act, 1842, whereby the tax abandoned in 1816 was re-imposed. This Act was, however, in general a reprint of the Income Tax Act, 1806, and the wording of Rule 12 is an exact reproduction of the corresponding Rule 13 in the last-mentioned Act. As a consequence, there could be no question of Rule 14 of Schedule B of the House Tax Act, 1808, being the original *locus*.

To understand the position, it is desirable to go back further—to the Income Tax Act of 1803, an Act in which was first introduced the method of taxation at the source, and which, as a consequence, was the first really effective income tax act. Its success had the result that in the general revision of the tax by the Act of 1806 the method was made the governing principle of the whole system. In order to apply it in cases where a building was divided and owned by different persons it was essential that there should be separate assessments in respect of each ownership. But Rule 13 of Schedule A No. IV in the 1806 Act did make a radical change in the way in which fines—that is, premiums—on the granting or prolongation of leases were dealt with. By Schedule A, No. II, Rule 4 of the 1803 Act a separate direct charge was to be made upon the lessor in respect of the lump sum paid by reference to the amount thereof and the period for which the lease was granted. By Rule 5, the full annual value of the property was to be assessed upon the lessee but he was to be allowed relief to the extent that the lessor was charged under Rule 4 and, under the general rule, the lessee would be entitled to deduct tax from any rent payable by him additional to the premium. So far as, but only so far as, buildings are within the ambit of Rule 12 of No. VII of Schedule A, Income Tax Act, 1918, the position resulting from the decision in the present case would seem to be much the same as it would have been if the provisions of the 1803 Act were operative. The change in 1806 did not make for equity as regards premiums paid on other existing leases; but the prevailing doctrine at the time was that of *laissez faire* and it was probably considered that the operation of economic laws would ultimately produce a sufficiently equitable equilibrium.

Rule 8 (*c*) of No. VII of Schedule A, Income Tax Act, 1918, had nothing to do with the difficult questions of apportionment between different owners which would have arisen but for Rule 12. It did not originate until 1853 and, in the 11 years subsequent to the reimposition of the income tax in 1842, the Revenue must have had more than enough of trying to collect tax from the occupiers of tenement houses!

Income Tax

Property transactions by company—Decision on appeal that trade carried on—Subsequent hearing to consider contentions that assessments not validly made—Certificate covering assessments in volumes of documents—Certificate signed by Additional Commissioner with rubber stamp—Income Tax Act, 1952, Sections 36, 41, 59, 514.

In **British Estate Investment Society Ltd. v. Jackson** (Ch. November 14, 1956, T.R. 397) it would seem that counsel for the appellant company was involuntarily the means of doing the Revenue more than one good turn, although, as will be seen, it could scarcely be said that Danckwerts, J., thought his efforts particularly praiseworthy. The company had appealed against assessments for the years 1947/48, 1949/50, 1950/51 and 1952/53 made upon it under Case I of Schedule D in respect of profits from sales of property as arising from the carrying on of a trade. The Special Commissioners had decided in favour of the Revenue. Having lost these appeals on the merits, a little later the company had come forward again, claiming on purely technical grounds that the assessments were invalid. Again the Special Commissioners had decided against the company, and on appeal to the High Court their decision was upheld by Danckwerts, J.

At the commencement of his judgment he said that the matter could have been disposed of simply upon the grounds that, the company having appealed upon the merits, any objections on the form of the assessments had been thereby waived and were no longer open to it to be pursued—*Attorney General* v. *Aramayo* (1925, A.C. 634; 9 T.C. 445) and other cases. Whilst, however, this fact would, he said, have enabled him to deal with the matter without further ado, in accordance with the wish of the Revenue he was dealing with the technical points raised upon behalf of the company. As to this, whilst the original appeal on merits was not of special importance to the Revenue, that on technical grounds afforded what must have been a long-sought chance of getting judicial opinion upon certain important changes made about a dozen years ago in the form of Schedule D books of assessment. An account of the new method given in the Case stated is reproduced in the judgment. The erstwhile cumbrous assessment books relating to an area had been replaced by a series of volumes consisting of single documents, one for each person assessed, numbered consecutively and each volume secured by metal rods securely sealed. The volumes themselves had been also numbered consecutively, and the final volume of a series had been signed by an Additional Commissioner, whose signature also purported to sign by reference the assessments contained in the other volumes of the series. His signature in the present case had been made with a facsimile rubber stamp; and the Commissioners had found that the impression had been made by him and not by anyone else.

For the company, it was contended, firstly, that each of the said sheets constituted an assessment and each should have been signed by the Commissioner in accordance with Section 36 of the Income Tax Act, 1952; secondly, that the rubber stamp impression was not a signature; and, thirdly, that the documents were not embodied in a book or books within the meaning of Section 36. Danckwerts, J., said that as regards the stamped signature, the point was concluded against the company by *Goodman* v. *Eban* (1954, 1 Q.B. 550), a case which had been mentioned by the Special Commissioners. As regards the other points, after reviewing the legal position, he concluded that the intent and meaning of the Act had been complied with in substance and, so far as he could see, there was no damage in any way to the taxpayer. Any defects of form which could be read out of sub-Sections (5) and (6) of Section 36 were in his opinion covered by the provisions of Section 514 (2).

In the beginning of his judgment Danckwerts, J., approved an argument for the Revenue that when a document appears to be signed and has been duly signed by the officer who purports to sign it, the presumption in law is that the document has been properly signed until the contrary has been shown by a person who wishes to upset that conclusion. The importance of this finding is that an appellant is held not to be entitled to require Commissioners or their clerk or the Inspector to submit to inquisitions with a view to discovering whether at

some stage or other in the process of assessment there has been some non-compliance with the strict statutory requirements.

In the opening paragraph of his judgment, his Lordship made a scathing protest:

> The appeal as brought today has absolutely no merits of any kind, and in my opinion it has been a disgraceful waste of the time of the Court and public money to have pursued the matter here.

In the days of sail, piracy was responsible for much of the improvement in naval architecture: but it is not easy to see what benefit accrues to the country from purely destructive criticism of administrative procedure. There may, however, be something in "David Harum's" dictum that a reasonable amount of fleas is good for a dog.

Surtax

Deduction in arriving at total income—Annual payment under deed of covenant—Payment to be made on a specified day in each year—Covenant to run for period of "years from the date hereof"—Whether payment made before end of first such year a valid payment under covenant—Income Tax Act, 1952, Section 524 (3).

C.I.R. v. Hobhouse (Ch. October 17, 1956, T.R. 347) was a small case involving a curious point. The respondent, Sir John R. Hobhouse, had entered into a deed of covenant upon May 5, 1950, under which he was to pay to his son an annual sum of £450. Clause 1 of the deed contained the operative words on the annual payments:

> the first payment, to be due forthwith, and the subsequent payments on the first day of May in each year,

and Danckwerts, J., said he would have thought that "the first day of May" plainly meant that day in each calendar year. By clause 2, however, it was as usual provided that the covenant was to continue until the happening of one of certain possibilities or, the crucial point:

> (5) the expiration of eight years from the date hereof.

For the Revenue it was argued that the eight years must mean eight years, not from January 1 but from May 5, 1953, the covenant expiring on May 4, 1961. As a consequence, it was argued that as the first year would not expire until May 4, 1954, there was no further payment due to the son on May 1, 1954, and the second payment would not be due until May 1, 1955. The Special Commissioners had rejected this construction, holding that the provisions of clause 1 clearly imposed an obligation to pay £450 on May 1, 1954, and that the terms of clause 5 did not override the clear terms of clause 1. Danckwerts, J., declared the Commissioners' decision to be correct.

Surtax

Undistributed income—Investment company—Provision of technical assistance and advice to South African company—Whether company existing wholly or mainly for purposes of carrying on a trade—Income Tax Act, 1918, Section 14 (2)—Finance Act, 1922, Section 21—Finance Act, 1936, Section 20—Finance Act, 1939, Section 14.

C.I.R. v. Highams (Saftex) Ltd. (Ch. November 1, 1936, T.R. 357) was a case where the Revenue sought to establish that the respondent company was within the mischief of Section 14 of the Finance Act, 1939. This enactment was a development of the legislation against avoidance of surtax initiated by Section 21 of the Finance Act, 1922: and by it, in the case of certain investment companies, the income of the company was to be deemed the income of its members for surtax purposes regardless of how much was distributed, unless the Special Commissioners were satisfied that the company existed "wholly or mainly for the purpose of carrying on a trade, or . . . ." The Special Commissioners had found that the respondent company was an investment company; but they had also found that it was within the exemption as existing wholly or mainly for the purpose of carrying on a trade. The Revenue's contention was that this finding was contrary to the true and only reasonable conclusion to be derived from the facts found and, in view of the decision of the House of Lords in *Edwards* v. *Bairstow and Harrison* (1956, A.C. 14; 34 A.T.C. 198; 36 T.C. 207), was erroneous in point of law.

In so far as stated in the judgment of Danckwerts, J., the following were among the facts of the case. Highams Ltd. was an English company trading in wool products, and it had relations with a firm in South Africa. In the course of these relations, a South African company, Saftex (Proprietary) Ltd., had been formed. Highams took 5,000 shares, and subsequently disposed of 1,000 of these to a Mr. Cronshaw, who was or became a director of both Highams and the respondent company. By an agreement between Highams and the South African company, the former had to provide technical assistance and advice, receiving therefor remuneration varying between £2,500 and £500 per annum. (The conditions governing the variation are not set out in the judgment.)

In 1947, Highams was turned into a public company, and, as it was considered that owing to a certain fact the shares in the South African company were not suitable for a public company, the respondent company had been formed in the same year as a private company. Its primary object as stated in clause 3 (1) of its memorandum was to purchase from Highams Ltd. the 5,000 shares in Saftex (Proprietary) Ltd. and moneys invested with that company. Under an agreement dated November 25, 1947, the new company also took over the carrying out of the agreement between Highams and Saftex (Proprietary) for technical assistance, and became entitled to receive the remuneration above-mentioned. Prior to that date, the advice had been given upon behalf of Highams by Mr. A. E. Higham, and thereafter it was given by him upon behalf of the respondent company, he being a director of both companies. For each of the years following the formation of the respondent company the maximum remuneration, £2,500, had been received, but it is stated that "the income which the company gained from the dividends on the shares exceeded quite substantially the remuneration . . . for technical assistance." The Special Commissioners had found on the evidence that the holding of the shares in the Proprietary company was inextricably linked with the provisions of technical advice and that the latter was the main purpose of its existence. The Revenue contention, based, *inter alia*, on the company's memorandum and the fact that the remuneration had been described in the respondent company's accounts as "preferential share of profit from Proprietary," was that the respondent company's main object was the holding of the shares and that the provision of technical assistance was only ancillary. Danckwerts, J., whilst thinking that there might be much force in the Revenue's contention, held that, looking at the matter in the best way he could, he was not entitled to say that the inference drawn by the Special Commissioners was "necessarily"—his own word—one which could not reasonably have been reached. In the present writer's opinion, the sole importance of the judgment lies in the word "necessarily," which indicates the limits within which a finding of fact may be held to be erroneous in point of law.

Estate Duty

(1) Transfer of shares—Whether a gift—Whether for full consideration and (2) Gift inter vivos*—Direction to company to allot shares to donees—Subsequent allotment—Whether direction effective as assignment of donor's interest—Customs and Inland Revenue Act, 1881, Section 38—Finance Act, 1894, Section 2 (1) (c)—Finance Act, 1940, Section 44—Finance Act, 1946, Section 47—Finance Act, 1950, Section 46.*

In re Letts (Ch. October 10, 1956, T.R. 337) was a double case with two distinct issues. It concerned shares in the business which amongst other things publishes the well-known *Letts* diaries. In 1925 Harry V. Letts (hereinafter referred to as "Harry") and Norman Letts, two brothers, entered into a formal deed of partnership. Each partner was entitled under the deed to introduce up to two sons as partners on certain terms and to nominate the same number of sons to his share in the firm on his death. The net profits were divisible as to 7/12ths to Harry and as to 5/12ths to Norman. Thereafter Harry's two sons, Kenneth and Leslie, and Norman's elder son Donald had been admitted as partners in the firm. Norman had died in 1935, when he was about to admit his second son Reginald as a partner. Nevertheless, the surviving partners had regarded Reginald as still being entitled to be admitted. For reasons set out in the judgment, in 1935, by a new partnership deed, the division of profits had been revised, Harry becoming entitled to 10/24ths and the four junior partners sharing the remaining 14/24ths equally. It was further provided that on Harry's death his share was to be divisible equally between the four juniors so that they would be equal in all respects. This, the judge said, was a bargain at arm's length for full consideration.

Upon April 14, 1944, a company, Charles Letts and Co. Ltd., had been incorporated and the partnership business had been transferred to it. For the goodwill and pending engagements the partners had received 50,000 Ordinary shares of £1 each, and for the remaining assets of the firm they had received 5 per cent Preference shares. Harry had received 20,832 as his proportion of the 50,000 Ordinary shares. On May 5, 1944, a deed was entered into between the five which was intended to make Harry's holding of Ordinary shares subject to the 1935 arrangement as far as practicable, he covenanting that he would not at any time "give, settle, bequeath or otherwise dispose of" his Ordinary shares or any of them other than to one or more of the active partners in the firm. In the same deed, as between themselves, the latter had agreed that Harry's shares should ultimately be divided equally between them.

In 1948, Harry had transferred to his sons and nephews 20,000 of his Ordinary shares in exchange for 20,000 Preference shares, thereby making a small reduction in his net income. The sole reason given by him was his desire for greater security of income. At the time of the exchange, the Ordinary shares were paying about 37½ per cent. as against the 5 per cent payable on the Preference shares. For the purposes of argument, the Preference and Ordinary shares were assumed to be each worth 18s. 6d. and £4 8s. respectively: and, the judge said, the case was being dealt with upon the footing that Harry was absolutely entitled to the Preference shares which had been transferred to him.

Harry had died on October 10, 1949, and the issue was whether the exchange transaction was one for full or only partial consideration, the Crown claiming that the difference between the £4 8s. and 18s. 6d. was subject to duty as a gift. For the four surviving erstwhile partners it was argued that owing to the deed of May 5, 1944, Harry had only a life interest in the 20,000 Ordinary shares and that, as he was 80 years of age at the time of the exchange transaction in 1948 and had received an absolute interest in 20,000 Preference shares, there was no element of bounty in the transaction. Upjohn, J., rejected this contention and upheld the Crown's claim. He said that by the deed of May 5, 1944, Harry had transferred no right or title in his Ordinary shares and had not covenanted to do so. He held the covenant to be purely negative and, in the event of Harry dying intestate, his sons, who had a sister, would have succeeded to part of the shares not under the 1944 deed but as next of kin. The surrounding evidence, he said, produced no real clue to the intention of the parties, whether a gift was intended or whether it was a transaction for partial consideration. The reason given by Harry for the exchange appears to the present writer to be quite unconvincing. It would seem more likely that all the parties concerned thought it undesirable that at the time of his death Harry should be the registered owner of the 20,000 Ordinary shares. The arithmetic in the report of the case is obscure; and it is hard to see how by exchanging 20,000 Ordinary shares of £1 each paying 37½ per cent. for 20,000 Preference shares of £1 each Harry's "net income" would be reduced as stated by him from £4,000 to £3,650.

The second case, a more interesting one from the legal standpoint, related to the disposal by Harry of his right to be allotted 7,342 5 per cent, first Preference shares of £1 in Charles Letts and Co. Ltd. In respect of this transaction, the Crown claimed duty under Section 38 of the Customs and Inland Revenue Act, 1881, as amended by subsequent legislation. When, as already mentioned, the Letts company was incorporated upon April 14, 1944, Preference shares had been issued to the partners in respect of the tangible assets of the firm. There had been, however, a revaluation of certain of these assets and it had been decided that additional Preference shares should be issued in respect of the amount of "write-up." Harry was entitled to 10/24ths of the proposed issue, amounting to 7,342 shares of £1, and but for the act out of which the issue in the case arose these shares would have been issued to him in the ordinary course.

Harry's elder son, Leslie, had suggested to him that he should make a gift of the 7,342 shares to his three children and, as shown by letters of thanks from Leslie and his brother dated July 24 and July 27 respectively, this had been agreed to. Leslie, however, had second thoughts and upon July 28, 1944, had written to his father suggesting "a much simpler method" of effecting the proposed gift. He had enclosed a draft letter which his father was to sign and send to the company. As a result, Harry on July 29, 1944, had sent a direction to the directors of the company requesting and authorising them to issue the shares in question to his three children in equal shares "as my nominees." A very curious feature was that "for some reason which no one quite now understands" a similar direction, apparently in identical terms, had been signed by Harry upon January 23, 1945; and a careful reader will notice that whilst a direction given upon July 29, 1944, would be more than five years before Harry's death on October 10, 1949, one not given until January 23, 1945, would not. It was not disputed that the shares allotted in accordance with the direction had vested at latest upon February 9, 1945, when the actual allotments had been made. The issue in the case was whether such a direction as was given on July 29, 1944, had the effect of vesting the shares beneficially in the three children. Upjohn, J., said that the first

point was whether Harry had intended by the direction to make a gift. The second point was whether it was a complete and effective instrument of gift. Upon the first, it seemed clear that a gift was intended. Upon the second, which he held to be the vital one, it had to be proved that everything had been done which was in the circumstances necessary to transfer the property and make the settlement binding (Turner, L.J., in *Milroy* v. *Lloyd*, 1862, 4 De G. F. & J., 264). For the executors it was, he said, argued that the direction constituted a valid equitable assignment of Harry's rights under the sale contract of 1944. For good reasons, he said, it was not contended that the direction was an equitable assignment of shares issued or to be issued, but it was contended that Harry's rights were an equitable *chose-in-action* enforceable by specific performance and that he was competent to dispose of them and that, if so, no particular language or particular form was necessary. Lord Macnaghten in *Brandt* v. *Dunlop Rubber Co.* (1905, A.C. 454) had emphasised such a point, saying, *inter verbos*, "The language is immaterial if the meaning is plain." Harry, it was argued, had by his direction of July 29, 1944, done all that was then possible to perfect his gift.

For the Crown, it was submitted that the notice to be valid had to be plain and unambiguous. Harry's direction to the company had been to allot the shares in question to his three children as his nominees, the last word being frequently used where the "nominees" were merely "trustees or names." It was submitted that the shares might have been allotted either pursuant to some contract of sale or by way of gift; and therefore the document was not plain or unambiguous. Upjohn, J., said he did not accept this proposition and that it did not matter in the least to the company what was the arrangement between Harry and his nominees to whom they were directed to allot the shares.

The next point raised by the Crown was that the direction was not, upon a proper interpretation, an assignment by Harry of his contractual rights under the 1944 sale agreement but merely an exercise of his power under the contract to nominate others to be registered as shareholders. It would be, it was contended, an extraordinary thing if by the nomination Harry had put it out of his power to change his mind and direct the company to allot the shares to some other person. Upjohn, J., whilst admitting the Crown's arguments to be powerful, came to the conclusion that Harry intended by his direction of July 29, 1944, to make an assignment of his rights. He held that it operated as an equitable assignment and—Harry having done everything in his power in relation to his rights—as a perfect gift, with the result that the Crown's contention failed.

It is an old saying that "truth will out even in an affidavit." Nevertheless, the formality of the estate duty procedure by affidavit would seem to make it inferior to the more informal income tax procedure as a means of arriving at the truth underlying a transaction. It is, for example, difficult to believe that the puzzle presented by the curious feature in the second case would have remained unsolved under income tax procedure.

Tax Cases—Advance Notes

By H. MAJOR ALLEN

CHANCERY DIVISION (Wynn-Parry, J.)

S. Berendsen Ltd v. C.I.R. February 6, 1957.

Facts.—The company's share capital consisted of 1,000 shares of £5 each, carrying one vote per share at meetings of the company. The directors had registered in their names a total of 401 shares, and a further 590 shares were held by a Danish company. One of the directors owned 395 of the 600 issued shares of the Danish company and was accordingly in a position to control that company. For the purpose of ascertaining whether or not the directors had a "controlling interest" in the company for profits tax purposes within the meaning of paragraph 11 of the Fourth Schedule, Finance Act, 1937, the Crown contended that there should be taken into account the shares held by the Danish company. The company, however, contended that only those shares registered in the names of its directors (which amounted to less than 50 per cent. of the total) should be considered for this purpose.

Decision.—Held, that following the decisions in *Bibby & Son Ltd.* v. *C.I.R.* (29 T.C. 167) and *C.I.R.* v. *Silverts* (29 T.C. 491) the register of members was the deciding factor and that accordingly the company was *not* to be treated as director-controlled.

Executors of Sir Frank Beauchamp v. C.I.R. February 7, 1957.

Facts.—Sir Frank Beauchamp died on June 17, 1950, liable to the Special Contribution imposed by the Finance Act, 1948. The question for decision was whether an assessment to the Special Contribution could be made after April 5, 1954, that is to say later than six years after the end of the year of assessment 1947/8, and, further, whether such an assessment on the executors could be raised later than the end of the third year next following the year of assessment in which the deceased died.

Decision.—Held, that the Finance Act, 1948, made no express provision for a time limit and that the effect of the Regulations made by the Commissioners under its provisions was not to import such a limit. Assessments could accordingly be made with no limit of time.

C.I.R. v. Thornton Kelley & Co. Ltd. February 8, 1957.

Facts.—The original capital of the company consisted of 10,000 £1 Ordinary shares. In 1920 a surplus arising on the revaluation of fixed assets was applied in paying up in full 10,000 7½ per cent. cumulative Preference shares of £1 each, which were issued to the holders of the Ordinary shares. In 1951 the capital of the company was reduced from £20,000 to £10,000 by the repayment of the whole of the amount credited as paid up on the Preference shares. The question was whether, for the purposes of Section 21 of the Finance Act, 1922 (now Section 246 (2) (*a*) (iv), Income Tax Act, 1952) the bonus shares had been issued "otherwise than for adequate consideration."

Decision.—Held, that, although the bonus shares must be regarded as fully paid up and the bonus issue as having resulted in a benefit to the company from the company law point of view, the shares must be regarded as having been issued "otherwise than for adequate consideration" within the meaning of the Section.

The Month in the City

Down to 5 Per Cent.

The rally that was in progress a month ago continued, in all sections other than gold mines—for fixed interest securities until February 1, although in equities it had been hesitant for the previous week. The operating factor was the expectation of a reduction in Bank Rate. But the drive faltered with the new month. The Chancellor of the Exchequer, Mr. Peter Thorneycroft, had made a couple of courageous speeches without disclosing his immediate intentions in any field, and there was less talk of an early change. As not uncommonly happens, it was when expectations had faded that it was decided on February 7 to reduce the official minimum by ½ point to 5 per cent., after fifty-one weeks at the higher rate. Only those who regard a high rate as a necessary concomitant of effective credit control appear to have regretted this move, but there was widespread disappointment among those who had been clamouring for a definite scrapping of credit control. The reduction was accompanied by the clearest possible statements by both the Governor of the Bank and the Chancellor that this was a technical adjustment and that it did not betoken any change in policy. In particular, there would be no relaxataion of the directives to limit short-term lending, while there was no indication whatever of the policy with regard to long-term rates. In these circumstances, there was a decline in the Funds and a less easily explained rally in industrial Ordinary shares. The latter movement did not last, and the former continued and spread to other fixed interest securities when, on the following Monday, a new Government issue was announced.

A Fifty-Year Stock at 80

This took the form of a further £300 million of the existing Treasury 3½ per cent. Funding stock 1999–2004, to be offered at 80. The old stock stood ¼ point higher, including a considerable amount of interest. Apart from the fact that an issue at 20 points discount marks the radical departure in thought on such matters since the Macmillan Committee reported, the two principal points about this offer appear to be that the Government is borrowing for a maximum period at a rate not very much below what has recently been described as exceptionally high, and that the price was fixed at a level at which it would cause the minimum disturbance to the market and, therefore, produce the minimum of subscriptions from individual and institutional investors. That is to say, the bulk of the issue will be taken by the "Departments." This is a familiar pattern, but there seems on this occasion to be rather more justification for it than has commonly been the case in the past. The condition that the cut in short-term rates shall do no harm is, on the one hand, that control of short borrowing shall continue by directive and, on the other, that there shall be no appreciable fall in the cost of borrowing long. The Departments have considerably reduced their holdings of relatively long-dated stock, and they are now in a good position to replenish them. There are still some weeks to go before the peak of the tax-paying season is passed, and the authorities can afford to take up new stock at this juncture. What is essential is that, once the new revenue year begins, they shall proceed to peddle it out to the market instead of raising finance by the re-expansion of the tender Treasury Bill issue, and without taking too much account of any resultant fall in the price of longer-dated stocks. It must also be remembered that the authorities have over £400 million of redemptions to deal with by mid-June and a further £500 million by mid-November.

The net effects of these events, as reflected in the indices compiled by the *Financial Times*, are rises between January 18 and February 19 from 88.15 to 88.45 in Government securities; from 95.55 to 96.41 in fixed interest stocks; and from 183.3 to 185.8 in industrial Ordinary shares. All these had stood higher at the month-end. There was a fall in gold mines from 75.2 to 73.4.

Short Rates

The immediate response of the banks, both English and Scottish, was to reduce all lending rates, and the terms given on deposits, etc., by the full ½ point by which Bank Rate had fallen. Bank and trade bill rates were also cut provisionally, but when on the ensuing day the Treasury bills went at some 6s. below the rate of the previous Friday, namely at under 4¼ per cent., there was a further all-round cut in bill rates. Applications for Treasury bills from outside the market continued at a high level and it is possible that there will be some further fall so long as tax receipts permit a reduction in volume. It seems improbable, however, that the Departments will combine continued sales of stock to the market with the new operation. While the immediate effect of the lower Bank Rate was to depress the value of sterling on a number of centres, the worst that can be said to have happened is that the all-round strength has been replaced by narrow movements both up and down and that there is little evidence of any substantial support by the authorities.

The Bankers' Views

The annual speeches of the bank chairmen had this year to be delivered, or at least composed, at a time of acute uncertainty. In a very short summary, it is necessary to note the stress put upon high short rates and their alleged ineffectiveness. There was also a valuable indication that high short rates deterred necessary funding operations. Some of the bankers gave their blessing to the new free trade area concept, and most had a good deal to say of the too-high level of Government spending. All are in favour of the emergence of conditions that will permit bankers to apply their traditional criteria to the making of advances and some seemed to believe that the time was ripe for directives to go. But for the most part it was realised that this would only be possible when an official policy of relating spending to the raising of finance without inflation had been made fully effective. None asked for an immediate reduction in Bank Rate. Only Sir Oliver Franks plumped squarely for a policy of funding as the essential instrument for control of liquidity. He was prepared to envisage the need for real relaxation if and when unemployment seemed to be excessive, but he made it quite clear that this condition was not yet satisfied. The actual guidance to be extracted from these statements on the correctness of a reduction in Bank Rate at this juncture is not clear-cut, but it is evident that Sir Oliver at least is not in favour of any relaxation as yet of borrowing at short term, and certainly not of making it easier or cheaper to borrow long. As a footnote to the earlier statement on results it has now to be added that the *National Provincial Bank* has put forward a capital reconstruction scheme which, in addition to abolishing all callable and reserve liability, envisages a modest increase in dividend.

Points From Published Accounts

Two Kinds of Simplification

Attempts to make accounts more readable for the average shareholder are laudable and still too few. But it is as well to recognise that as much harm as good can result from over-eagerness to get right away from accepted conventions. It is always difficult to compromise in developments of this nature, and the practice of maintaining a completely conventional profit and loss account and balance sheet, while at the same time publishing the same information in a manner easily appreciated by the layman, has much to commend it.

The way in which various companies tackle the problem makes a fascinating study. Sometimes even a small alteration or a typographical detail can achieve a marked improvement—it has to be borne in mind that even where completely formal accounts are presented, there is still scope for simplification and increased readability—and sometimes really drastic treatment fails in its objective.

The accounts of *Electric and Musical Industries* provide an example of how a great improvement can follow a single deft stroke. Here the only change is that the figures are now given in the profit and loss account and balance sheet to the nearest thousand pounds—thus: "Consolidated trading profit . . . £2,417,000." How refreshing this is! When profits and balance sheet figures reach the size of those in the E.M.I. accounts the few hundreds of pounds become comparatively negligible, and it makes a far neater presentation to omit them.

An example of the second kind of treatment is provided by the accounts of *Charles Winn.* The chairman has even gone to the trouble of including an explanatory statement stating simply what has been done and why. The approach is quite novel, for nowhere in the profit and loss account does the word "profit" appear, and the balance sheet presentation occupies no more than half a page. The net result is that two pages of notes are necessary to amplify the information given in the "statement of accounts." The important point to consider here is whether any useful purpose is being served by breaking so completely with the accepted conventions. Certainly one can argue that many of the existing terms (such as profit) are open to misinterpretation, but one can also argue just as effectively that the relegation to a notes section of such items as depreciation, and the amount owing to bankers (as part of the total of current liabilities) opens up just as much latitude in interpreting their true importance to the operations of the business.

Praise must be given where praise is due, and there are undoubtedly some good features in these new look accounts from Charles Winn. The substitution of a single item "For retention in the business," in place of the string of various reserves which is the more usual procedure in this country, commands our wholehearted approval. So too does the tax item in the balance sheet, described as follows: "Earnings retained for income tax due January 1, 1958 (temporary capital in use in the business)." But by and large it is impossible not to feel that a better job could have been done by sticking to the more usual presentation and by using terms (however open to misinterpretation they may be) with which the great majority of people are at least familiar. Misinterpretation is quite easily avoided by including a simple definition with each item: this, in fact, is more proper material for a notes section than important details of profit and loss account and balance sheet.

"Surplus on Trading"

The directors of *Joseph Lucas* (*Industries*) have taken a big step towards making the profit and loss account easier to read, but there is still room for improvement. Previously only the net income appeared in this account, taxation and all other items having been deducted. This year a gross profit is shown, and one is referred to the relevant note section for a detailed explanation of the five items appearing in the account. Opinions are bound to be sharply divided on whether this is a better presentation than that formerly given: at least all the information was kept on one page in previous years, thus obviating the necessity to flick from one page to another. One specific point of disagreement arises from the description of a profit of £5,010,441 as the "surplus on trading." Actually, the notes make it clear that the amount is the balance struck after charging depreciation, replacement reserve, directors' emoluments and other items to an aggregate value of £2,146,062. In the circumstances it would be more appropriate to term it a net trading surplus. Better still would be to add back all the items appearing in the notes and thus save shareholders the trouble of having to do it for themselves.

The company is one of the comparative few that have tried to compromise between a strictly historical approach to accounting and the need for a more realistic appraisal of the fixed asset replacement requirements of the business. For a number of years now, therefore, the depreciation charge has been augmented by a replacement reserve for buildings, plant and equipment. The term "reserve" may be taken to imply that it is at the discretion of the directors. Yet they obviously feel that it is a necessity. Such a position gives rise only to confusion in the mind of the reader who is tempted to add back this item to the net profit because it is described as a reserve. When a business gets to this stage it would be far better to end the matter by giving effect to a revaluation of the properties in the balance sheet. That way everyone knows where he is.

Why Different Standards for Parents?

An interesting point presents itself in the accounts of the *Borneo Company.* Directors' emoluments are shown as a specific deduction in the parent company's profit and loss account, in the consolidated profit and loss account the deduction is not shown, the profit simply being given net of the emoluments. The view seems to have been taken that, the requirements of the Companies Act having been complied with in the parental account, there is no reason to repeat the information in the consolidated account. But surely there is a lot to be said for striking the parent's and the group's accounts on all fours, in order to facilitate comparison. Some people will argue that there can be no comparison between the figures of a parent company and those of the group. But when both sets of figures are given, it is possible to find out how the subsidiaries have fared on their own, and this is often most valuable information. It is only a small point in this instance; the parent has done rather better in relation to the subsidiaries than it

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appears to have done at first glance, but it would have been helpful to have been given at least a footnote indicating that directors' emoluments had been deducted in the group account.

Submerging the Accounts

Readers of the *Barclays Bank D.C.O.* accounts may be forgiven for assuming that the profit and loss account and balance sheet are considered to be of only secondary importance in the presentation of information to shareholders. The two accounts are sandwiched into one double spread, when the whole report occupies 32 pages, excluding the cover. This brings us back to our repeated criticism that modern accounts tend to go too far in the direction of putting before shareholders a welter of information and submerging the basic statistics. The criticism may well be a harsh one in this instance, for considerable effort has obviously gone into making the whole report as presentable as possible, with an excellent chairman's statement liberally relieved with colour photographs. Nevertheless, we feel that much would have been gained by allotting a full double-page spread to the balance sheet alone in order to avoid the cramping of the figures that now mars it. At the same time, it would be worth making some effort to make it easier to read by breaking the various items up with a few headings to show the important features more clearly. The use of different type faces and more colour could easily be employed to advantage.

Brightness and Colour

S. Smith and Sons (England) has issued a very commendable set of accounts this year. A brilliant yellow cover catches the eye immediately, and colour is also used to full advantage in the interior pages: bold type is used judiciously to pick out the main headings, and the use of a double-sized type to display the net assets total and the total of Smith shareholders' interests is an attractive innovation. The provision of ample statistical information in diagrammatic and tabular form rounds out the impression of a well thought-out set of accounts.

Breaking the Path for Investment Trusts

British Assets Trust has taken to heart the need for making annual accounts brighter and a more valuable medium for providing information for the shareholders. This year's accounts have been revolutionised and may well start a new fashion amongst investment trusts—not particularly renowned for the general standard of their accounts. By far the most arresting feature of the accounts is the amount of statistical information appended to the accounts themselves, and designed to give shareholders an accurate picture of the progress of the trust.

Provisions are Specific

More additional statistical information has been appended to the accounts of *Associated Commercial Vehicles* this year, and it has added considerably to their interest. A simple but effective layout has been adopted, and the balance sheet makes the useful point of showing share capital and reserves exclusive of goodwill. This item appears only in the notes section, which is on the facing page. The only minor point of criticism is one of nomenclature: among the current liabilities appears "miscellaneous provisions." A provision is specifically provided for something, and if it is worth making a provision, it is worth stating exactly what it is for. Loose phraseology mars many a fine set of accounts—a pity, because the fault can be so easily avoided. A balance sheet in which every item really means something has far more value than one in which the reader is left to make his own interpretation of the significance to be accorded to certain items.

Legibility and Emphasis

The accounts of *Wales and Monmouthshire Industrial Estates* might possibly benefit by being brought down to quarto size: at the moment there is rather too much white and the figures tend to get lost. This is a minor criticism, however, compared with the legibility of the type faces adopted, and the judicious use of bold type to make the group items stand out. The use of red ink for comparative figures helps to relieve the austerity of the presentation and to add interest—particularly where the several long columns of figures that occur are boxed in as well, so that the total stands out.

Crowded Accounts

Ind Coope & Allsopp continues to spoil a lively set of accounts with a horribly cramped balance sheet. Four columns of figures—current and comparative figures for both the parent company and the group—leave barely enough room to get the wording in on the left-hand side. The result is difficult to read and makes laborious work of trying to isolate the important items. Rather unusually, sundry debtors stand ahead of stocks and stores among the current assets.

Not a Trading Profit

Another leading brewery, *Bass, Ratcliffe and Gretton*, has recast its accounts "in a manner designed to accord with the best modern practice." Unfortunately it is becoming all too prevalent in modern practice to strike the trading profit after deducting a string of items such as depreciation and directors' remuneration. A profit after depreciation is certainly not a trading profit, and it is difficult to see what is being gained by this practice. This apart, the accounts are laid out in orthodox form, with the balance sheet showing the total of net assets applicable to shareholders in the business. Comparative figures are printed in blue instead of the more usual red.

A Reservation about Consolidation

English Sewing Cotton will be presenting a full consolidation of the parent group and American Thread Company figures in its next accounts. Hitherto the two sides of the business have been kept separate. Full comment on this move must await the accounts, but it is to be hoped that the directors will give some attention to the provision of information enabling shareholders to see how the American side of the business has fared *vis à vis* the remainder of the group. In an undertaking such as this, information of this nature can often be very valuable, and one of the drawbacks of full consolidation is that such distinctions are lost in the overall figures.

A Special Depreciation Reserve

The valid point that replacement cost is not known in advance is made by the chairman of *Dalgety*, in announcing that in future it is proposed to adopt a compromise in making provision for the replacement of fixed assets. A revaluation of premises reserve has been renamed "special depreciation reserve," and it is proposed to add to this when convenient and to withdraw from it the appropriate sums for the extra depreciation of specific premises, as recommended by the auditors. The company also prefers to treat distributed profits tax as part of the cost of dividends, rather than as a prior charge on profits in the same category as any other taxation. As we have previously pointed out, this method merely tends to give shareholders a wrong impression of the amount of profit that is, in fact, available for distribution.

Publications

Pension Schemes and Retirement Benefits. By Gordon A. Hosking, F.I.A., A.T.I.I., F.S.S. Pp. viii+372. (*Sweet & Maxwell, Ltd.:* 42s. net.)

LET IT BE said at once that this is an excellent book, lucidly informative on every essential topic germane to its subject.

During the post-war period there has been a rapid and extensive increase in the number of occupational pension schemes. In a complex industrial society such as ours these schemes vary considerably in type and structure, according to the special circumstances that they are designed to meet. Pension schemes today are conditioned largely by the legislation of recent years, intended to encourage their promotion by the concession of substantial tax reliefs subject to compliance with the requirements of the Commissioners of Inland Revenue, who are charged with the duty of granting or refusing approval. These requirements have changed from time to time in the light of experience, and today have become formalised and known as the "standard practice" of the Department. Moreover, the pension scheme movement has now entered upon a new phase by the passing of the Finance Act of 1956, bringing within the scope of the tax concessions certain pension arrangements covering self-employed persons and others engaged in non-pensionable employment. Thus the position generally has become somewhat complicated and the purpose of Mr. Hosking's book is, as he says, "to assist an employer, employee or private individual to see more closely the implications of the various methods available for retirement pensions." In this task he has unquestionably succeeded. Mr. Hosking writes not only with the authority of an experienced actuary but also as a practical administrator, and his name is already well known as part author of an earlier work *Superannuation Schemes*, on which the present volume is largely based.

In a brief review such as this it is impossible to do more than call attention to the salient features of the new book. The treatment of the subject is admirably planned; in the opening chapters the reader is introduced to the elementary principles that should govern the formation of any pension scheme. These principles are simply stated in clear non-technical language, unencumbered by the discussion of details which is reserved for later chapters under appropriate headings, to which reference can be made as the more fundamental considerations are better understood. Having presented this broad picture of the main features of a normal pension scheme—as, for example, the nature and scope of the benefits and contributions to be provided, whether in respect of future or past service—the author explains the different types of schemes that fall to be considered, their constitution and management. In this context the relative merits are discussed of administering a scheme privately, under a trust deed and rules, or under a contract issued by a life office. This is a question on which opinions may well differ, but it is fair to say that an effort has obviously been made to deal with it sincerely and objectively. Mr. Hosking has done well to include a chapter on widows' and orphans' schemes, which are today attracting increasing interest as a factor in promoting good industrial relations.

In the matter of tax concessions the lay reader is guided by easy stages through the relevant statutory provisions, since the operation of the law varies radically as between different types of schemes. A painstaking analysis of the position is set out with great clarity and helps materially to simplify what to most people is an intricate subject.

The wise investment of funds in a privately administered scheme is, needless to say, of paramount importance, and several chapters are devoted to a consideration of the general principles involved, the powers available to trustees, the types of investments available, and the factors that should govern a prudent investment policy.

Managers of pension schemes, and indeed beneficiaries themselves, are concerned from time to time to follow the financial progress of their funds—to understand, in the author's words, "what constitutes a profit or a loss, how favourable periods are to be ascertained and recognised, when is the danger point reached or when can surplus be successfully used in improving benefits or reducing future contributions." This is the object of the actuary's periodical valuation; and the technique which he employs, both in theory and in practice, is fully explained in two very readable chapters. This masterly exposition should prove of the greatest assistance to the pension fund administrator and enable him better to appreciate the implications that arise in the general management of his scheme.

Special mention should be made of the chapter on the provisions of the Finance Act of 1956, of the operation of which there has as yet been practically no experience. These provisions have obviously been the subject of very careful study by the author.

Other features of this very praiseworthy treatise include a description of methods by which schemes may be adjusted to allow for National Insurance pensions, the general content of the trust deed and rules, the procedure by which pension rights may be transferred when a member passes from the employment of one firm to that of another, and practical points dealing with day-to-day administration. Finally, the relevant enactments relating to the tax position have been conveniently collated and set out for reference in the appendix.

To sum up: this book may be described as a guide to the perplexed layman who seeks general enlightenment about pension schemes, a positive aid to the practical administrator, and a trustworthy textbook for the serious student.

H.L.

The Family Farm. Occasional papers No. 4. Pp. 36. (*Farm Economics Branch, School of Agriculture, Cambridge University:* 3s. post free.)

ANY ACCOUNTANT WHO values the connection between accounting and management and who regards this link as being important to the future development of his profession, must be grateful to the Cambridge University School of Agriculture, which has been the source of so much material of value to management and to accountancy in agriculture.

The present publication examines whether the family farm has sufficient economic merits to justify a policy of encouragement. For this purpose—and with adequate recognition of its limitations—a yardstick of £500 net profit per annum is adopted as the minimum return properly to be expected from such a unit.

The approach adopted is to start with a classification, by degrees of popularity, of the organisation and stocking of the "small family farm" (20–50 acres) and the "large family farm" (50–100 acres). Next, the output per acre, and the consequent husbandry organisation, necessary to reach the minimum annual net profit of £500 is discussed. Based on three representative types of family farm organisation, there follows an analysis of methods of improving farm profits,

within the limitations of acreage and capital requirements usually present in such holdings. This section, dealing principally with the possibility of introducing pigs or poultry, is of particular interest.

The study concludes with a summary based particularly upon a comparison between large and small farms. Not everyone will welcome the conclusion that both from the national point of view and from that of the particular farmer there are definite limitations upon the possibility of increasing profits without increasing the size of the holding: that frequently small holdings are uneconomic and therefore to be discouraged. An accountant will probably find the treatment of invariable overheads in this part of the discussion to be somewhat cursory—though it must be admitted that, in the illustrations given, they are of very minor importance. As a whole, however, he will appreciate this stimulating and informative study. S.V.P.C.

How to Form a Private Company. By Stanley Borrie. Twenty-fifth edition. Pp. 64. (*Jordan & Sons, Ltd.:* 4s. 6d. net.)

IF IT IS true that the proof of the pudding is in the eating, the publication of the twenty-fifth edition of a book should be acceptable evidence of its worth.

The present concise and well indexed edition will be of special value to the student and to the practising accountant to whom the formation of a private company is an infrequent employment.

The student will here find, collected and logically arranged, all those provisions scattered throughout the Companies Act, 1948, with which he is required to be familiar. The picture is presented as a whole in an attractive format and in a way that conduces to a pleasant acquisition of knowledge. The size of the publication makes it both convenient for perusal during the odd few minutes that are so easily wasted and very suitable for purposes of revision.

The history of companies, though brief, is hardly necessary, and the appendix, though entertaining, could be sacrificed. The space so gained might be given up to a more complete explanation of the provisions of the seventh schedule to the Act of 1948, relating to exempt private companies.

In the discussion on the transfer of shares and the restrictive power required by Section 28 of the 1948 Act to be given in the Articles of Association of a private company, the reader might usefully have been warned of the danger of a too complicated wording of the Articles. Occasions may arise when the holder of shares wishes to pledge his title as security for the repayment of a loan from, say, his bank. Unless the transfer of shares is required to be by deed, it is usual for the parties to the loan to complete a blank transfer to be completed if the occasion arises. A complicated provision in the Articles of a private company might well render valueless the security offered. This result would follow if the Articles required all sales of shares in the company to be to specified persons—a practice specifically mentioned by the author.

Nonetheless, this little book in its present form is likely to be of considerable help to the student, especially if he studies it in conjunction with careful examination of the relevant provisions of the 1948 Act itself. S.A.

Accounts from Incomplete Records. By John G. Simpkins. Third Edition. Pp. 78. (*Gee & Co. (Publishers) Ltd.:* 15s. net.)

THE THIRD EDITION of this book, first published in 1946, brings it up to date. A book of this nature makes a wide appeal because very few publications dealing with bookkeeping and accountancy matters refer to the preparation of accounts from incomplete records.

The author takes it for granted that the reader has an understanding of double-entry bookkeeping principles, and shows the practical application of these to the process of constructing accounts from records that are incomplete or even non-existent. The reader is led by the concise text through the logical process from the reconciliation of cash and bank accounts to the final accounts. Closing chapters cover reports, certificates, and recommendations for future records. This is an excellent book to hand to junior staff and articled clerks, and gives adequate guidance on the type of working papers to be used. Wherever possible the illustrations are inter-related.

There are many minor points on which those with practices calling for a considerable volume of work on incomplete records would perhaps offer different advice, or suggest different methods, but in the main this very useful book is one to which senior colleagues, unfamiliar with work on incomplete records, would wish to refer.

Mr. Simpkins might consider for any future edition the suggestions that an adjustment for the value of business stock taken by the proprietor and his family is likely to be more accurate if based upon a current test record; that an adjustment on the face of the accounts for the value of the private living expenses of hoteliers and the like need not give rise to complications if based upon the figure normally acceptable to the General Commissioners of the area; and, finally, that if his illustration of the balance sheet and of the trading and profit and loss accounts followed the current practice by use of comparative figures rounded off to the nearest £, instead of the full amounts, a cumbersome appearance would be avoided.

G.L.R.

Consequential Loss Insurances and Claims. By Denis Riley, F.C.I.I. Pp. x +351+12. (*Sweet & Maxwell Ltd.:* 50s. net.)

THE AUTHOR OF this very readable book has for many years been the Consequential Loss Superintendent in Yorkshire and North-East England of the Commercial Union Assurance Company Limited. He has, therefore, had excellent experience of the many problems arising in the adjustment of claims.

Probably the greatest factor causing loss to the trader is that of under-insurance against loss of profit, and throughout his book Mr. Riley gives many warnings and examples of how under-insurance can be avoided.

Every accountant in practice should be equipped with sufficient knowledge of consequential loss insurance to be able to advise his clients on the adequacy of the cover given by their profits policies. This book gives detailed consideration to the various items of business expenditure that ought to be covered and provides the accountant and insurance official alike with a comprehensive view of the application of loss of profit insurance to practically every form of business.

It is of course primarily an insurance man's outlook on the subject. An accountant might be expected to place greater emphasis on the practical illustrations. For instance, usually the most thorny problem facing the accountant—that of calculation of upward and downward trend in turnover—is dealt with in Mr. Riley's illustrations of claims by assuming that the answer has been agreed between the parties. When looking at illustrations 11, 12 and 14 it is necessary to read back to paragraphs 49 to 53 to understand why no adjustment in the rate of insured gross profit is called for when the trend of turnover

is caused by increase or decrease in the physical volume of goods sold, whilst an adjustment of rate of insured gross profit becomes necessary when the increase or decrease in turnover is due to a change in price.

It is, therefore, advisable for the accountant to read the book before dealing with, or accepting as precedents, the claims illustrations set out at the end of the book.

It may be well to mention that owing to its place of precedence the first illustration could be misleading to the newcomer to the subject. It is really not an illustration of a claim as such, but rather an illustration of the effect that a fall in turnover would have in ratio to standing charges, variable charges and net profit. It is a very useful illustration, but its more appropriate place would seem to be at the end of Chapter I. It is in fact referred to in the narrative of Chapter I, and it can be considered out of place only in that it is incorrectly called a "claims" illustration.

These slight criticisms should in no way be allowed to disparage the value of this very excellent book, which covers most comprehensively and clearly the practical side of loss of profits insurance.

It does not extend to deal with the history of the policy wording and the law on the subject, as does that of Mr. E. L. Butler, F.C.I.I., entitled *Profits Insurance* (Buckley Press Ltd., 7s. post free), but on the practical side what Butler's little book only mentions in passing, Riley's book deals with in detail.

With *Butler*, *Riley* should be on the shelf of every practising accountant. At some time or other he may be called on to prepare a claim on behalf of his client and in such an event he will find both books of the very greatest assistance. In combination they provide the means of a complete knowledge of this complicated subject. D.M.

Drying and Storing Grain on the Farm. The Economic Aspects. Report No. 44. Pp. 46. (*Farm Economics Branch, School of Agriculture, Cambridge:* 4s. post free.)

TO DRY OR not to dry, is that the question? If so, this well illustrated report from the University School of Agriculture will certainly help farmers to answer it. The problem has become acute following the closing down of the largest contracting concern, making it probable that these contractors will not in future be available, and raising the question of what will happen if we have another wet harvest like that of 1956. Also, the use of combine harvesters is growing a good deal faster than the storage space available to meet the increased initial flow of corn. For the farmer who is intending to meet these problems of drying and storage—and for his adviser—this report is invaluable

It has become a tendency in recent times to spend large sums on expensive agricultural machines without reckoning whether they are economic for the size of the farm. Fixed costs for interest and depreciation are all too often ignored, but this report shows with commendable clarity that these two items are the most important constituents of costs.

We shall be asked "does it pay?". The answer is not easy, as there are so many factors to be considered—such as the size of the farm and capital available, new construction or adaptation of existing buildings, condition of the corn and through-put required. All these factors are lucidly dealt with in the forty-six pages of this report. Different methods of drying and storing are compared side by side and carefully illustrated by diagrams easily understood.

Much thought and investigation has gone into this small booklet and at 4s. it is surely a "good buy," not only for the agriculturalist but also for his professional adviser. W.H.S.

Consolidated and Other Group Accounts. By Sir Thomas B. Robson, M.B.E., M.A., F.C.A. Third Edition. Pp. 154. (*Gee & Co. (Publishers) Ltd.:* 25s. net.)

WITH THE COMPLEXITIES of modern business the use of consolidated and other forms of group accounts is ever increasing and a sound knowledge of the basic principles involved is essential to accountants, whether in the profession or in industry.

This book deals in an authoritative and concise manner with the purposes of group accounts and describes in some detail the principles and processes of consolidation, coupled with a full working example of a set of consolidated accounts which well repays careful study.

The book was first published in 1946, the second edition followed in 1950, introducing the requirements of the Companies Act, 1948, and the third edition now issued incorporates changes to keep the book up to date in the light of current practice.

It is a tribute to the author that the principles of consolidation are so fully dealt with in just 100 pages, and, although the book does not claim to be an exhaustive treatise on the subject, it does nevertheless lead the reader through the principles and practice of consolidation in a competent manner and in easily readable form. The text being assimilated, a fitting conclusion to one's study is to work through in detail the example of consolidation procedure contained in the appendix, consisting of some thirty-eight pages. Here are given, for a holding company and its four subsidiaries, the consolidated balance sheet and profit and loss account, together with detailed consolidation working papers, notes for consolidation and the accounts of the individual companies, all designed to illustrate the procedure outlined in the text of the book.

Having considered in the earlier chapters the purpose, limitations, functions and scope of group accounts, the author proceeds to the mechanics of consolidation and touches upon the special features relating to foreign subsidiaries. Ensuing chapters deal with assets, goodwill, capital, reserves, liabilities and provisions and the position of outside shareholders in subsidiaries. The text is completed with a discussion of the consolidation of profit and loss accounts and the form of group accounts.

All through the book a nice blend is maintained of the law as laid down in the Companies Act, 1948, and the practical application of the principles to circumstances arising in the process of consolidation; the author also compares, where appropriate, the accepted "best practice" in Great Britain with that currently obtaining in America.

As may be expected with a subject of such importance, consolidated accounts in some form figure prominently in the examinations of the professional accountancy bodies, and final candidates would do well to include this book in their preparation and to study carefully the working example in the appendix.

Such a concise and authoritative book should also find its place in the libraries of professional and industrial accountants who are concerned with this important branch of company accounting. G.A.J.M.

Books Received

60 Jahre Berufsorganisation der Vereidigten Buchprüfer (Bucherrevisoren) 1896–1956. Pp. 83. (*Verband Deutscher B¨cherrevisoren, Stuttgart.*)

Overseas Advertising. A Digest of News on Export Advertising. Vol. 1. No. 2. Pp. 31. (*Publishing & Distributing Co., Ltd., 177, Regent Street, London, W.1.*)

Legal Notes

Contract and Tort—

Liability of Occupier for Spread of Fire

B.-K. instructed builders to thaw out the water system in his house. The servants of the builders attempted to do this with a blow-lamp and carried out their work so negligently that they started a serious fire, which spread to the house next door. In **Balfour v. Barty-King** [1957] 2 W.L.R. 84, the occupier of the house next door sued B.-K. for damages.

From very early times the law has recognised that there is a special duty to guard against an escape of fire. It is clear that a person in whose house a fire is started by the negligence of himself or his servants or his guests is liable if that fire spreads to neighbouring premises, but he is not liable if the fire is caused by a stranger. There is also authority for saying that he would be liable if he instructed an independent contractor to start a fire, for example, a bonfire of hedge clippings, and the fire then spread through the negligence of the contractor. There was however no direct authority on the question whether the occupier would be liable if, as in this case, the contractor was not instructed to start a fire but caused one through his negligence. The Court of Appeal held that the independent contractor could not be held to be a stranger and that the occupier was liable.

It is believed that many types of house insurance policy do not cover the insured against liability for the spread of fire to other premises, and it is suggested that readers should check their own policies.

Executorship Law and Trusts—

Political Education

In **Re the Trusts of the Arthur McDougall Fund** [1957] 1 W.L.R. 81, M. had been a keen and generous member of the Proportional Representation Society, and he left a substantial sum of money to it under his will. The Committee of the Society decided to carry out M.'s wishes by vesting the money in trustees upon trust to apply the income "for such charitable purposes as in the absolute discretion and opinion of the trustees (i) shall best advance and encourage education or other charitable purposes beneficial to the community in connection with the art or science of government or other branches of political and economic science (ii) shall most tend to encourage the study of methods of government or civil, commercial or social organisations." There was a further clause, which without limiting the generality of the first clause gave in more detail certain objects on which the trustees might spend money, and there was a further provision that the trustees must be members of the Society.

The question arose whether this was a valid charitable trust. Now it is clear law that a trust to encourage the study of methods of government for the general benefit of the public may be charitable, but a trust to further the objects of a political party is not; and the Society itself was not charitable, for its main object was to alter the law by legislation. The validity of the trust deed was attacked on the ground that the real dominant purpose of the deed was not to create a charitable trust at all but to further the political objects of the Society. But Upjohn, J., held that the trust was charitable. If the operative clauses were construed alone, a valid charitable trust was created, and this was not affected by the fact that the trustees had to be members of the Society. No one suggested that the trustees had committed any breach of trust by wrongly using the moneys in furthering the objects of the Society, and if they should ever attempt to do so, they would be subject to the control of the Attorney-General.

Miscellaneous—

Tax Element in Salvage Award

In recent months we have noted several cases in which the courts have applied the principle laid down in *British Transport Commission* v. *Gourley* [1956] A.C. 185, that in the assessment of damages for loss of earning capacity or for wrongful dismissal account must be taken of any tax that would have been payable on the earnings themselves but will not be payable on the damages. The converse of this principle has now been applied in a salvage case, **The Telemachus** [1957] 2 W.L.R. 200. As Willmer, J., said, the task of the judge was to arrive at such an award as would fairly compensate the master and crew of the salving vessel without injustice to the salved interests, and such an award as would, in the interests of public policy, encourage other mariners in like circumstances to perform like services. In the case before him the recipients of the award would be liable to tax on the amounts which they received. The learned Judge therefore took this tax element into consideration and made the award larger than he would otherwise have done.

Miscellaneous—

Differential Rent Schemes

By Section 83 (1) of the Housing Act, 1936, "the general management . . . of houses provided by a local authority under this part of this Act shall be vested in and exercised by the authority, and the authority may make such reasonable charges for the tenancy or occupation of the houses as they may determine," and by Section 85 (5), as amended, "the authority may grant to any tenant such rebates from rent . . . as they think fit." In *Belcher* v. *Reading Corporation* [1950] Ch. 380, tenants of council houses claimed that certain increases of rent were *ultra vires* and void. The Court held that there was nothing to show that the increases were unreasonable: the authority had to consider the welfare of the tenants on the one hand and the interests of the ratepayers as a whole on the other and to strike a balance.

Since 1950 a large number of authorities have introduced differential schemes embodying the general principle that an "ordinary rent" should be fixed for each house and rebates given to tenants who could not afford to pay that rent. The method of arriving at this "ordinary rent" varies greatly in the different schemes, but perhaps the most common principle is for the authority to calculate the total historic cost of all the houses in their ownership and then to apportion this total to each individual house according to its amenities. It will at once be seen that if the "ordinary rent" is fixed in this way, the cost of the rebates must be met either from subsidies or from the general rate fund. The Hampstead Borough Council introduced a scheme under which the historic cost of each house was ignored and the rents fixed by calculating what charges would be reasonable by the test of the open market for groups of estates and then pooling the exchequer subsidies. This scheme was challenged in **Summerfield v. Hampstead Borough Council** [1956] 1 W.L.R. 167. The Court held in favour of the council that the rents charged were reasonable by the test of the open market, and that there was no reason in law why this test should not be adopted. The council was not bound to take into account either the historic cost of its own houses or the rents charged by neighbouring local authorities.

The Student's Columns

I—VARIANCES

AS WE HAVE seen ("Standard Costs," ACCOUNTANCY, February, 1956, pages 84–5), a standard cost, because it tells us what the cost should have been and helps to show whether the results were satisfactory or otherwise, is in many ways superior to an historic cost. In investigating how satisfactory the results actually were, we must compare the differences between the actual expenditure and the pre-determined standards. These differences are termed "variances." The cost accountant must ascertain the variances and present them so that sources of efficient and inefficient activity may be speedily traced and the responsibility pinpointed. Variances indicate to management in which directions to take action to regulate or control costs. If the action is effective it will result in actual costs approaching the standard costs—the size of the variance is the index of attainment. But the monetary value of the variance alone is insufficient for control purposes: it must be supplemented with further information if the managers are to know where they stand now and where they can move to.

Fuller meaning can be given to a variance by analysing its components. Some of the components may cancel out against others, so that the total variance would clearly not give enough guidance. Only by looking at the components individually can one answer the question: "Exactly *why* did the actual performance differ from the standard?"

Broadly, variances fall into one of two classes:

(*a*) Those resulting from changes in conditions other than changes in the volume of the product. Such changes include those in the efficiency of labour or the physical usage of material, factors that are "controllable" within the organisation. Also included in class (*a*) are such changes as those in wage rates or in the purchase price of materials, factors that are "uncontrollable."

(*b*) Those resulting from changes in the volume of the product. When these changes occur, a portion of the fixed and variable overheads is either over-absorbed or under-absorbed.

Let us deal firstly with variances on the side of direct labour. Any excess (or deficiency) of the actual hours worked compared with the standard hours (the hours that should have been worked according to the pre-determined estimates) represents the labour-efficiency variance expressed in hours. That variance multiplied by the standard wage rate gives the monetary expression of the "labour-efficiency variance." There may also be a "wage rate variance" and it will occur if the actual wage rate paid differs from the standard wage rate. This difference multiplied by the actual number of hours during which it held gives the monetary expression of the wage rate variance. Put very simply, any cost is the result of the interaction of price and quantity so that any variance must be analysed through changes in price and changes in quantity (or usage). For labour, the two components of the variance are:

(i) The price variance, resulting from differences between the actual wage rates and the standard rates;

(ii) the efficiency variance resulting from differences between the actual efficiency and standard efficiency (in terms of working time) calculated at standard rates of pay.

Illustration

The standard hours allowed are 1,000 and the standard rate is 4s. per hour. It is found that actual hours taken are 1,050 and that the actual wage rate is 4s. 6d. per hour. An excess of 50 hours has been incurred, and evaluated at the standard wage rate, amounts to 200s. But the variance in labour is also due to price (the wage rate). The excess in the rate is 6d. per hour and as 1,050 hours were worked, 1,050 × 6d. has been contributed to the labour variance by the change in the wage rate.

		shillings
Thus we get Actual cost 1,050 × 4s. 6d.	..	4,725
Standard cost 1,000 × 4s.	..	4,000
Labour variance	.. ..	725

	shillings	
Analysis		
Efficiency 50 hours × 4s.	200	
Wage rate 1,050 × 6d.	525	
		725

Thus the increase in labour cost of 725s. is due to inefficiency of 50 hours, and an increase in the rate of pay of 6d. per hour for all the hours worked.

It should be observed that the efficiency variance may arise through a divergence in the number of hours worked by a constant labour force in comparison with the standard, or through a variation in the number of workers employed, some workers having been either engaged or discharged.

Secondly, consider the materials variance. Again, the variance is attributable either to quantity or to price. The excess (or deficiency) of the actual quantity of materials used over the standard quantity represents the usage variance expressed in terms of units of material. If the excess usage is multiplied by the standard price of the material, the result is the monetary expression of the

"usage variance." If the total material used is multiplied by the excess (or deficiency) of the actual price per unit in comparison with the standard price, we arrive at the "materials price variance."

Illustration

Budgeted output per week ..	100		
Each unit of product requires 5 pieces of material at 2s. each, or 10s. worth at the standard price			
Actual production per week ..	120		
630 pieces were used at 2s. 4d. each			*shillings*
Standard material cost 100 × 10s.			1,000
Actual material cost 630 × 2s. 4d.			1,470
Total variance ..			470

	shillings	
Price variance 630 pieces at 4d. each ..	210	
Usage variance 130 pieces at 2s. each	260	
		470

It will be noted that 130 pieces have been used in excess of the budgeted amount. This variance is the result of two factors:

	shillings
(i) Variance due to increased production 100 pieces at 2s. (20 articles require 5 pieces each)	200
(ii) Variance due to increased usage of materials per unit of product 30 pieces at 2s. each	60
	260

Thus it will be seen that material quantity variance may be due to increased (or decreased) usage resulting either from the actual production being more (or less) than the standard production or from more (or less) material than was fixed in the standard being on the average used for each unit of the output. There are, it will be appreciated, many possible reasons for changes in the prices of materials, producing a price variance.

Finally, take the "overheads variance." We have now to concern ourselves more immediately with changes in the volume of the output (see (*b*) above). Here we are, in effect, looking at the remaining variance in the costs of the business. Fixed and variable overheads must first be distinguished. In determining what are fixed costs we must have regard to the time factor: depreciation, for example, is often an annual charge, while salaries are generally payable monthly.

The overheads variance consists of three parts—the "volume variance," the "efficiency variance," and the "expense variance." "Volume variance" will occur if there are any variations in the output compared with that budgeted. (Note that variable costs cannot produce any volume variance.) For example, holidays may fall within a certain period of, say four weeks, so that it becomes impossible to absorb the fixed expenses of that period into the production of the period. There will then result a "calendar variance," which is a component of the volume variance. Again, owing to a slump or a failure in sales policy, the full fixed expenses may not be fully absorbed by output, creating, as part of the volume variance, an "idle facilities variance". Or production may be decreased because of breakdowns or "bottle-necks," again producing as part of the volume variance, an idle facilities variance, evaluated by multiplying the idle time by the fixed expense rate in the standard. In that situation, there will be under-absorption of the fixed expenses.

Conversely, overtime may be worked, and thus more time "liberated," resulting in an over-absorption of fixed expense—there is then, as part of the volume variance, an "efficiency variance," showing a profit. Similarly, there may be a "liberation" of more time if the workers work faster than in the standard, resulting in a favourable efficiency variance (or the movement could be the other way).

If the actual prices of the particular fixed and variable costs vary from the standard prices, the variations must be segregated from the volume variation: thus we derive the "expense variance."

Illustration

The budgeted hours per annum for a factory is 30,000 and fixed and variable expenses are estimated at £21,000 and £39,000 respectively. We have to calculate and analyse the overheads variance for a particular month in which there are holidays of 100 hours and hours actually worked are 2,100. Standard production per month is 100 units, each unit taking a standard time of 20 hours. Actual expenditure for the month is £4,620.

(*a*) Standard overhead rate based on 30,000 hours:

	£	Hourly	£
Fixed expenses	21,000	rate	.7
Variable expenses	39,000	do.	1.3
Total	60,000	do.	2.0

	£
(*b*) Actual expenditure for month	4,620
Standard expenditure 100 × 20 × £2	4,000
Total variance	620

Analysis	hours	
1. Calendar:		
1 month (1/12 of 30,000) ..	2,500	
Time available for working ..	2,400	
Variance ..	100 at £.7 =	70
2. Idle facilities:		
Time available for working ..	2,400	
Time actually worked ..	2,100	
Variance ..	300 at £.7 =	210

		£	£
3. Efficiency:			
Actual hours worked ..	..	2,100	
Standard hours required for months production	..	2,000	
Variance	..	100 at £2 =	200

		£	
4. Expense:			
Fixed 1/12 of £21,000 ..	..	1,750	
Variable $\frac{2,100}{30,000} \times$ £39,000	..	2,730	
Standard cost of working 2,100 hours ..	..	4,480	
Actual expenditure	..	4,620	
Variance	..		140

	£
5. Total cost of overheads variance:	
Calendar	70
Idle facilities	210
Efficiency	200
Expense	140
	£620

It will be seen that the calendar and idle facilities variances are valued on the basis of fixed expenses only since it is, indeed, only these overheads that are being unabsorbed by reason of the short-fall in production caused by holidays and idle time. The cost of inefficiency, however, is made up of the cost of all overheads, fixed and variable, and is valued accordingly.

II—THE HERD BASIS

UNDER THE PROVISIONS of Sections 473 and 524 and Schedule 20, Income Tax Act, 1952, a farmer or trader may choose for income tax and profits tax purposes that his cows, sheep, pigs, poultry and other animals, kept primarily for breeding purposes, should be treated as trading stock or as production herds under the "herd basis". Normally, when the accounts of a farmer are prepared, the livestock held by him at the end of each financial year is valued and the total value is credited to his trading account in computing his profits for that year. If the farmer owns a herd of animals (called "a production herd") of the same species (but not necessarily of the same breed) kept wholly or mainly for the sale of their produce (e.g. milk from a dairy herd, wool and meat from a flock of ewes), he may adopt the herd basis. With certain exceptions, a production herd can include only mature animals, i.e. those animals that have given birth to their first young or in the case of poultry those that have commenced to lay.

A farmer whose profits were assessed to income tax under Schedule D for 1947/48 and who kept a production herd at any time during the year ended April 5, 1947, was able to elect, by April 5, 1948, to adopt the herd basis in respect of the herd. If he did not so elect, he lost the right to do so for all future years. In any other case, the election must be made within twelve months of the end of the first year of assessment for which the farmer's liability to tax is computed on the basis of the profits of a period during which he keeps a production herd. Failure to make a claim within the twelve-months period forfeits the right to adopt the herd basis in future years.

After an election to adopt the herd basis has been made, in computations of profits in future years valuations of production animals are not taken into account. Profits and losses arising on the sale of a substantial part (20 per cent. or more) of a herd are ignored for tax purposes.

In the year in which the farmer elects to adopt the herd basis, where the animals comprising the herd have previously been treated as trading stock, the initial cost thereof must be credited to the trading account and debited to a fixed asset account. A similar entry is made in any year for the cost of breeding or buying and rearing to maturity an animal added to the existing herd.

If an animal is sold out of the herd, but not replaced, the profit or loss on sale must be included in computing profits for tax purposes. If an animal in the herd requires to be replaced, the cost of the new animal must be deducted and the sale proceeds of the old animal included in computing the taxable profit. If, however, the replacement is home-bred, the cost of bringing it to maturity will have been debited in the trading account already, in the form of feeding stuffs, labour, etc., and no further charge is necessary.

Illustration

At the beginning of the accounting year, the production herd comprised:

	£
51 home-bred cows valued at £100 each ..	5,100
5 bought-in cows at cost	3,000
1 bought-in bull at cost	1,050
	£9,150

During the year, 10 home-bred and the 5 bought-in cows were sold for £3,200. 24 heifers calved for the first time and became part of the herd at a valuation of £100 each.

Nothing can be charged in arriving at the taxable profit in respect of the 15 home-bred animals which replaced those sold. The credit to trading account is, therefore:

	£
Sale proceeds of 15 animals	3,200
Transfer to Herd Account, 9 animals at £100 each	900
	£4,100

The debit on herd account becomes £(9,150+900)= £10,050.

Where the entire herd is sold and not replaced within five years, the profit or loss arising is not taxable. But should the farmer sell his existing herd and replace it with a larger herd within that period, in computing his taxable profits the sale proceeds must be included and the cost of the number of new animals equal to the number sold must be deducted. If the new herd is smaller, the profit or loss made on those sold and not replaced must be included in the accounts. If a substantial part of the old herd is not replaced within five years, however, the profit and loss on those sold and not replaced is ignored.

Illustration

Assume a farmer sells his breeding flock of 100 ewes at £60 each and that they originally cost him £40 a head. Two months later he purchases a new herd of 90 ewes of the same quality at £62 each. The sum to be included in trading profits is:

	£
Sale price of 90 ewes of the old flock, 90×£60	5,400
Less: Cost of new flock of 90 ewes, 90×£62	5,580
Net Loss on sale of 90 ewes	*180*
Sale price of 10 ewes not replaced, 10×£60	600
Total Profit	£420

Any compensation moneys received for animals slaughtered because of disease by order of a government Department or local authority are to be included in profits. But if the animals destroyed are replaced by animals of poorer quality, the sum included cannot exceed the cost of the replacement.

Notices

A **Retail Management Conference** is to be held at Eastbourne from March 5 to 7 by the British Institute of Management and the Institute of Industrial Administration. The general theme will be *Planning for Progress in Retailing*. Design, merchandising, research, wage structure and training will be discussed. The chairman will be Mr. F. J. Stratton, C.B.E.

The **Accountants' Christian Fellowship** will hold a meeting for Bible reading and prayer at 12.30 p.m. on March 4 in the vestry at St. Mary Woonoth Church, King William Street, London, E.C.3. The scripture will be Matthew, chapter 13, verses 45 and 46—the parable of the pearl of great price. At a meeting on March 21 at 6 p.m., in the Oak Hall of the Institute of Chartered Accountants, Moorgate Place, London, E.C.2, Mr. A. G. B. Owen, chairman and managing director of Rubery, Owen & Co. Ltd., will speak on "Christianity in Industry."

There has appeared the first issue of a monthly publication, ***Work Study and Industrial Engineering,*** the official journal of the Society of Industrial Engineers and the Work Study Society. It aims to show the place of work study and industrial engineering in raising productivity. It will give news of new applications and the results of research into new methods, such as operations research and linear programming. The journal, published by Management Publications Ltd., Management House, 8 Hill Street, London, W.1, costs 2s. 6d. per copy or 30s. a year.

Mr. D. V. House, F.C.A., has been appointed by the President of the Board of Trade as a member of the National Film Finance Corporation. Mr. House is a past-President of the Institute of Chartered Accountants in England and Wales.

Sir Edward Boyle, BT., M.P., Economic Secretary to the Treasury, will speak on **The Credit Squeeze** at a meeting of the London Branch of the Chartered Institute of Secretaries, to be held at the Chartered Insurance Institute, 20 Aldermanbury, London, E.C.2, at 6.15 p.m. on March 27.

An exhibition of **electric typewriters** was arranged last month by IBM United Kingdom Ltd. It was shown that power operation gives increased speed with less effort, ensures uniform impression irrespective of variations in touch, and produces better stencils or more carbon copies. In addition to the standard typewriter for normal office work, IBM offer three special models: the "executive," which gives the appearance of a printed page and embodies a new spacing system, making it possible to achieve a straight right-hand margin; the "hektowriter," for producing master copies for spirit duplicating processes, a special ribbon replacing the usual sheets of carbon paper; and the "formswriter," specially designed for use with continuous stationery.

Three regional **management conferences** are being arranged by the British Institute of Management. The Northern Management Conference will be held at Southport from March 22 to 24. The general theme will be *Speeding Management Decisions*. Mr. E. Fletcher, M.A., A.S.A.A., will speak on "Trade Union Reaction to Industrial Change." The Midlands conference, to be held at Droitwich from April 5 to 7, will have as its theme *Meeting Tomorrow's Problems*, and that of the Scottish conference on May 3 to 5, at Gleneagles, will be *Top Management Planning and Control*.

George Anson and Co. Ltd., the well-known manufacturers of labour-saving accounting systems, the "Visipost" filing system and the "Copyfix" announce that a branch office has been opened in Dumfries Chambers, St. Mary Street, Cardiff.

We regret that in the announcement of the Institute of Cost and Works Accountants on page xxix of our February issue, the Fellowship in Management Accountancy was wrongly described as a Fellowship in Management Consultancy. The notice appears this month on page xxiv.

THE SOCIETY OF Incorporated Accountants

Accountability

THE INCORPORATED ACCOUNTANTS' London and District Society held a luncheon on February 12. The chair was occupied by Mr. W. J. Crafter, F.S.A.A., Chairman of the District Society, and an address was given by Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A., President of the Society of Incorporated Accountants.

Sir Richard observed that as accountants they were trained to assemble facts, to present them fairly and to exercise judgment; but their standards must be sensible. Little had been heard so far in this country of efficiency audits. They needed a knowledge of organisation, administration, finance, economics and industrial psychology, which could be acquired only by wide experience based on intensive study.

While it might be ultimately true that cost would determine price, it should not be assumed that the object of a costing system was to determine selling prices. Its main advantage was in the control of the use of resources. Standards could provide the necessary yardstick with which actual consumption or performance could be compared: thus the business could measure its own weaknesses and take action at the right time.

The accountant had a part to play in the measurement of productivity from adequate data obtained under reasonable conditions, and in ensuring that the results were fairly stated and their limitations appreciated.

Accountants were themselves accountable: they must recognise their legal and moral obligations, and note their possible liability to third parties who relied upon their work. On matters of fundamental importance a degree of insistence was justified, but it should be savoured with an appreciation of the wider issues involved, of human nature, and of their own responsibility, courage and humility. They should be helpful friends, not wiseacres.

Their knowledge and skill could be used as a counterpart to the technical knowledge of their associates. They could provide some of the essential tools of management. But let it not be thought that a business could be run by the managing director or chief executive by the use of accounting statements only.

Sir Richard's own experience showed him what great opportunities there were for the acquisition of knowledge and for its practical application in the field of accounting. That great Liberal, Viscount Samuel, had said, "Knowledge to become wisdom needs judgment." And in the exercise of judgment let them be thoughtful. In these days of speed they were inclined to rely on quick reactions, but they did well on occasions to think back to the fundamental principles involved.

Examinations—May, 1957

THE SOCIETY'S EXAMINATIONS will be held on the following dates:

Preliminary:	May 7 and 8.
Intermediate:	May 9 and 10.
Final: Part I	May 7 and 8.
Part II	May 9 and 10.

The centres will be Belfast, Birmingham, Cardiff, Dublin, Glasgow, Leeds, Liverpool, London, Manchester, Newcastle upon Tyne and Southampton.

Completed application forms, together with all the relevant supporting documents and the fee (Final, Part I, £4 4s.; Part II, £4 4s.; Parts I and II together, £7 7s.; Intermediate, £4 4s.; Preliminary, £3 3s.) must reach the Secretary at Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2, not later than Wednesday, March 20, 1957.

Candidates are asked to obtain application forms from the Honorary Secretary of their Branch or District Society.

District Societies and Branches

Manchester

A STUDENTS' RESIDENTIAL refresher course will be held at Hulme Hall, Victoria Park, Manchester, from April 5 to 8 inclusive. Students from any District Society may attend by arrangement with their own Honorary Secretary. Applications should be forwarded immediately.

Sussex

MR. P. G. BARNETT, A.S.A.A.

Mr. P. G. Barnett, A.S.A.A., who is now President of the Incorporated Accountants' District Society of Sussex, was educated at the Collegiate School, Liverpool, and received his training in Liverpool in the offices of Messrs. J. W. Davidson, Cookson & Co., and Messrs. Blease & Sons. He qualified in 1940, and in the same year took up his present appointment as accountant to P. Panto & Co. Ltd., Eastbourne. He now holds office as director and secretary of three associated companies. For a number of years he was a part-time lecturer in accountancy at the School of Commerce, Eastbourne.

During World War II Mr. Barnett served in the signals section in the Royal Air Force.

While living on Merseyside he took an active interest in mountaineering. He is a life member of the Wayfarers Club. His present hobbies are cars and gardening.

Events of the Month

March 1.—*Birmingham:* "Recent Important Developments in Taxation," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A. Law Library, Temple Street, at 6.15 p.m.
Glasgow: "General Commercial Knowledge," by Mr. Bertram G. S. James, B.A. Students' meeting. Scottish College of Commerce, Pitt Street, at 6.15 p.m.
King's Lynn: Dinner. Town Hall, at 6.30 p.m.
Leeds: Visit to a manufacturing concern to view a Remington Rand accounting machine installation and to make a tour of the works. Students' meeting.
Leicester: Quiz. Panel of Inspectors of Taxes and Accountants. Balmoral Room, Bell Hotel, Humberstone Gate, at 6 p.m.
Manchester: "Profits Tax," by Mr. C. C. Hunt. Students' meeting. Incorporated Accountants' Hall, 90 Deansgate, at 6 p.m.
Newcastle upon Tyne: "Reading a Balance Sheet," by Mr. A. C. Simmonds, F.S.A.A. Library, 52 Grainger Street, at 6.15 p.m.

March 4.—*Hull:* Luncheon meeting. New Manchester Hotel, at 12.50 p.m.
London: "Standard Costing and Budgetary Control—Part I," by Mr. R. Warwick Dobson, C.A., F.C.W.A. Students' meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

March 5.—*Bournemouth:* "Death Duties and Apportionments," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. St. Peter's Small Hall, Hinton Road, at 6.30 p.m.
Leeds: "Economic Prospects," by Mr. H. G. Hodder, Manager, National Provincial Bank. Great Northern Hotel, at 6.15 p.m.

March 6.—*London:* Taxation Group meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

March 7.—*London:* Dinner dance. Park Lane Hotel.
Swansea: "Special Audits," by Mr. K. S. Carmichael, A.C.A. Students' meeting. Y.M.C.A., The Kingsway, at 7 p.m.
Wolverhampton: "Taxation Computations," by Mr. L. A. Hall, A.C.A., A.S.A.A. Star & Garter Hotel, at 6.15 p.m.

March 8.—*Birmingham:* "Accountancy as a Tool of Management," by Mr. R. J. Barnes, B.COM., A.C.I.S. Law Library, Temple Street, at 6.15 p.m.
Bradford: "Profits Tax," by Mr. J. S. Heaton, F.S.A.A. Victoria Hotel, at 6.15 p.m.
Hull: "Management Accounting," by Mr. Philip Bean, A.C.W.A. Students' meeting. Church Institute, Albion Street, at 6.15 p.m.
Leicester: "The Bank of England," by Mr. H. G. Hodder, A.I.B. Students' meeting. Bell Hotel, Humberstone Gate, at 6 p.m.
Manchester: "Costing," by Mr. S. C. Roberts, F.C.W.A., M.I.I.A. Students' meeting. Incorporated Accountants' Hall, 90 Deansgate, at 6 p.m.
Sheffield: "Economics," by Mr. R. D. Taylor. Students' meeting. Grand Hotel, at 5.30 p.m.
Waterford: "Auditing, with special reference to Mechanised Accounts" and "National and Business Finance," by Mr. V. S. Hockley, B.COM., C.A., A.A.C.C.A. Students' meetings. Offices of Messrs. W. A. Deevy & Co., Broad Street, at 4 p.m. and 8 p.m.

March 11.—*Coventry:* "Profits Tax," by Mr. L. A. Hall, A.C.A., A.S.A.A. Rose and Crown Hotel, High Street, at 6.15 p.m.
London: "Standard Costing and Budgetary Control—Part II," by Mr. R. Warwick Dobson, C.A., F.C.W.A. Students' meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.
Stony Stratford: "Liquidation Procedure," by Mr. A. V. Hussey, F.S.A.A. Students' meeting. Cock Hotel, at 6.15 p.m.

March 13.—*London:* Management Group meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.
Southend-on-Sea: "Practical Aspects of Saving Estate Duty," by Mr. V. S. Hockley, B.COM., C.A. Students' meeting. 33 Victoria Avenue, at 7.30 p.m.
Swansea: "What a Lending Banker looks for in his Customers' Accounts," by Mr. H. G. Hodder, A.I.B. Mackworth Hotel, at 6.30 p.m.

March 14.—*Birmingham:* Luncheon meeting. Imperial Hotel, at 1 p.m.
Bristol: "Bankruptcy—Distributable Property," by Mr. R. D. Penfold, Barrister-at-Law. Students' meeting. Royal Hotel, College Green, at 6.30 p.m.
Dublin: "Executorship Problems," by Mr. R. I. Morrison, A.C.A. Students' meeting. Swiss Chalet, 3 Merrion Row, at 6.15 p.m.
Grimsby: "The Laws of Contract and Agency," by Mr. A. H. Hudson, B.A., LL.B. Offices of the Chamber of Commerce, 77 Victoria Street, at 4.30 p.m. and 7 p.m.
Lincoln: "Some Practical Aspects of Bankruptcy," by Mr. W. Colley. The Great Northern Hotel, at 6.30 p.m.
London: "The Object and Purpose of a Will," by Mr. E. R. L. North. New students' meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.
Oxford: Students' meeting. George Restaurant, at 6.30 p.m.

March 15.—*Birmingham:* "Capital Allowances," by Mr. W. H. A. Sutton, H.M. Inspector of Taxes. Law Library, Temple Street, at 6.15 p.m.
Cambridge: "Taxation—New Business and Cessation Provisions," by Mr. V. S. Hockley, B.COM., C.A. Shire Hall, at 7.15 p.m.
Cardiff: Dinner. Park Hotel, at 6.30 p.m.
Manchester: "Schedule E, Expenses and Benefits in Kind," by Mr. J. S. Heaton, F.S.A.A. Incorporated Accountants' Hall, 90 Deansgate, at 6 p.m.
Waterford: "Marginal Costing and the Break-Even Chart," by Mr. P. E. Harris, A.S.A.A. Students' meeting. Offices of Messrs. W. A. Deevy & Co., Broad Street, at 4 p.m.
Waterford: "Presentation of Accounts in the Light of Present English Legislation," by Mr. P. E. Harris, A.S.A.A. Students' meeting. Offices of Messrs. W. A. Deevy & Co., Broad Street, at 8 p.m.

March 18.—*Bradford:* "Partnership Accounts," by Mr. K. S. Carmichael, A.C.A. Victoria Hotel, at 6.15 p.m.
London: "Financing and Re-Financing Companies, including Take-Over Bids," by Mr. Harold Wincott. Incorporated Accountants' Hall, W.C.2, at 6 p.m.
Luton: Students' annual dinner. Royal Hotel, at 7.15 p.m.

March 19.—*Dublin:* "The Mechanics of Consolidated Accounts," by Mr. P. E. Harris, A.S.A.A. Students' meeting. Swiss Chalet, 2 Merrion Row, at 6.15 p.m.
Nottingham: "Current Topics for Examinees," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. The Reform Club, Victoria Street, at 6.30 p.m.
Sheffield: "Group Accounts," by Mr. K. S. Carmichael, A.C.A. Students'meeting.Grand Hotel, at 4 p.m.
Stockton: "Taxation Schedule D—Partnership," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A. Spark's Café, High Street, at 6.30 p.m.

March 20.—*Belfast:* "General Financial Knowledge," by Mr. A. R. Ilersic, M.SC. (ECON.), B.COM. Students' meeting. The Library, Howard Street, at 7 p.m.
Newcastle upon Tyne: "Current Taxation Problems," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A. Library, 52 Grainger Street, at 6.15 p.m.
Worcester: "Costing," by Mr. V. S. Hockley, B.COM., C.A., A.A.C.C.A. Crown Hotel, Broad Street, at 6.30 p.m.

March 21.—*Bristol:* "Verification of Assets," and "Standard Costs and Budgetary Control," by Mr. V. S. Hockley, B.COM., C.A. Students' meetings. Royal Hotel, College Green, at 5.30 p.m. and 6.30 p.m.
London: Luncheon Club meeting. Connaught Rooms, at 12.45 p.m.

March 22.—*Birmingham:* Joint meeting arranged by the Certified and Corporate Accountants' Students' Society.
Bradford: Biennial dinner. Victoria Hotel, at 6.15 p.m.
Manchester: "Costing," by Mr. S. C. Roberts, F.C.W.A., M.I.I.A. Students' meeting. Incorporated Accountants' Hall, 90 Deansgate, at 6 p.m.

March 25.—*Clacton:* "Auditing," by Mr. P. E. Harris, A.S.A.A. Davey's Restaurant, Station Road, at 7 p.m.
Coventry: "Partnership Accounts," by Mr. K. S. Carmichael, A.C.A. Rose and Crown Hotel, High Street, at 6.15 p.m.
London: "Insurance," by Mr. E. A. Croucher, F.C.I.I. Students' meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

March 26.—*Liverpool:* "Accounting by Electronics," by Mr. R. N. Barnett, F.S.A.A. The Hall, Derby Square, at 5.30 p.m.
Luton: "The Elements and Mechanics of Taxation." Students' meeting. The Chamber of Commerce, at 6.15 p.m.
Portsmouth: Questions and Answers. Panel of an accountant, inspector, bank manager and solicitor. Gas Undertaking's Demonstration Room, at 6.30 p.m.

March 27.—*Bradford:* "Management Accounting," by Mr. G. Tattersall-Walker, A.C.A. Victoria Hotel, at 6.15 p.m.
Newcastle upon Tyne: "General Financial Knowledge," by Mr. A. R. Ilersic, M.SC. (ECON.), B.COM. Library, 52 Grainger Street, at 6.15 p.m.
Sheffield: "Bankruptcy," by Mr. K. A. Miller, A.C.A. Grand Hotel, at 5.45 p.m.

March 28.—*Carlisle:* "General Financial Knowledge," by Mr. A. R. Ilersic, M.SC. (ECON.), B.COM. County Hotel, at 6.30 p.m.
Dublin: "Partnership Assessments," by Mr. G. L. M. Wheeler, F.C.A., A.C.I.S. Students' meeting. Swiss Chalet, 2 Merrion Row, at 6.15 p.m.
Exeter: "Taxation," by Mr. J. S. Heaton, F.S.A.A. Rougemont Hotel, Queen Street, at 6 p.m.
Leicester: "Electronic Accounting," by Mr. R. N. Barnett, F.S.A.A., T.D. Chamber of Commerce Board Room, at 6 p.m.

London: "An Introduction to Income Tax," by Mr. J. D. Nightingirl, A.S.A.A. New students' meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.
Oxford: "Standard Costing—a Case Study," by Mr. C. G. S. Jennings, F.C.W.A. Students' meeting. George Restaurant, at 6.30 p.m.
Sheffield: Students' visit to the Transport Department to view a Powers-Samas accounting system in operation.

March 29.—*Birmingham:* "Electronic Accounting," by Lieut.-Col. R. N. Barnett, T.D., F.S.A.A., A.C.I.S. Law Library, Temple Street, at 6.15 p.m.
Brighton: "Bills of Exchange," by Mr. O. Griffiths, M.A., LL.B. Students' meeting. The Clarence Hotel, North Street, at 6 p.m.
Camborne: "Taxation," by Mr. J. S. Heaton, F.S.A.A. Community Centre, at 6 p.m.
Gloucester: "The Auditor and Mechanised Accounting," by Mr. A. C. Simmonds, F.S.A.A. Gloucester Technical College, at 6.30 p.m.
Leicester: "Machine Accounting," by The National Cash Register Co. Ltd. Students' meeting. Bell Hotel, Humberstone Gate, at 6 p.m.
Manchester: "Costing," by Mr. S. C. Roberts, F.C.W.A., M.I.I.A. Students' meeting. Incorporated Accountants' Hall, 90 Deansgate, at 6 p.m.

April 1.—*Hull:* Luncheon meeting. New Manchester Hotel, at 12.50 p.m.
London: "Tax Reliefs for Losses," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A. Students' meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

April 2.—*Hull:* Joint Students' meeting. Y.P.I., George Street, at 6.15 p.m.

April 3.—*London:* Taxation Group meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.
Nottingham: "Executorship, including Preparation of an Estate Duty Account and Intestacy Rules," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A. The Reform Club, Victoria Street, at 6.30 p.m.

April 5.—*Glasgow:* "The Uses of Standard Costing," by Mr. R. A. Smith, A.C.W.A. Students' meeting. Scottish College of Commerce, Pitt Street, at 6.15 p.m.
Grimsby: "Management Accounting, Standard Costing and Budgetary Control," by Mr. G. T. Walker, A.C.A. Offices of the Chamber of Commerce, 77 Victoria Street, at 4.30 p.m. and 7 p.m.
Southend-on-Sea: "Amalgamations and Reconstructions," by Mr. P. E. Harris, A.S.A.A. Students' meeting. 33 Victoria Avenue, at 7.30 p.m.

Personal Notes

Mr. F. G. Manning, A.S.A.A., has been appointed administration officer in the Finance Department of the British Transport Commission. He was formerly senior assistant in the accounts division.

Messrs. Deloitte, Plender, Griffiths, Annan & Co. have admitted to partnership in Johannesburg Mr. G. J. D. Massey, A.S.A.A.

Mr. F. A. Keating, A.S.A.A., has been appointed secretary and accountant to Joseph Rodgers & Sons Ltd., Sheffield.

Mr. R. H. G. Duggan, A.S.A.A., is now secretary to the Arthur D. Little Research Institute, Musselburgh, Midlothian.

Messrs. Stanley Holmes & Co., Chartered Accountants, London, S.W.1, have taken into partnership Mr. Eric Slater, A.C.A., A.S.A.A.

Mr. H. D. Pridmore, A.S.A.A., is now practising in partnership with Mr. G. N. Ward, F.C.A., under the style of Ward and Pridmore, at Council Chambers, Main Street, Keswick.

Mr. Ronald Harris, Incorporated Accountant, has entered in to practice at 289 Boothferry Road, Hull.

Mr. George Green, A.S.A.A., has taken up an appointment as secretary and chief accountant to Geo. Jackson & Co. Ltd., Birmingham, and its associated companies.

Messrs. C. L. Dain & Co., Incorporated Accountants, announce that Mr. W. L. Jupp, A.S.A.A., who has been associated with them for a number of years, has been admitted into partnership in the Rugeley office. That office has been moved to 3 Market Square, Rugeley, Staffs.

Mr. Thomas Brindle, A.S.A.A., has been appointed Borough Treasurer of Southport in succession to Mr. F. Ainsworth, F.S.A.A., who retires on March 16. Mr. J. F. Worthington, A.S.A.A., will become Deputy Borough Treasurer.

Messrs. Singleton, Carter & Co., Incorporated Accountants, Nottingham, announce that Mr. F. C. Pendleton, A.S.A.A., who has been with them for a number of years, has been admitted into partnership. The style of the firm remains unchanged.

Messrs. A. J. Palmer & Co., Incorporated Accountants, Fareham and Gosport, announce that Mr. N. H. Munday, A.S.A.A., who has been a partner in the firm for some years, is leaving to take up an appointment in Australia. The practice will be continued by the remaining partners, Mr. S. Cooke, F.S.A.A., and Mr. A. C. D. Miller, F.S.A.A.

Mr. M. K. Brazil, Incorporated Accountant, Waterford, has taken into partnership his son, Mr. D. P. Brazil, A.S.A.A. The firm will practise under the style of M. K. Brazil and Son, Incorporated Accountants.

Mr. H. C. Banting, Incorporated Accountant, Wembley, announces that he has taken Mr. John C. Widger, A.S.A.A., into partnership. The style of the firm is Banting, Widger and Co., Incorporated Accountants.

Messrs. Sherwood, Baines & Co., Stockton-on-Tees, announce that Mr. P. M. T. Jackson, A.S.A.A., A.C.I.S., has been admitted into partnership.

Mr. G. Maitland Wilson, Incorporated Accountant, is now in practice at 10 Belmont Street, Aberdeen.

Messrs. W. G. & D. G. Evans, Incorporated Accountants, Cardiff, have admitted into partnership Mr. C. P. Pascoe, A.S.A.A.

Mr. E. J. Willcox, A.S.A.A., is now accountant to Alexander Metal Co. Ltd., Bilston, Staffs.

Mr. A. P. Rivers, F.S.A.A., has been appointed deputy chairman of Hovis-McDougall Ltd. He remains a director of Hovis Ltd.

Mr. A. W. Rennie, A.S.A.A., has been appointed secretary of Teasdale & Co. Ltd., Carlisle.

Messrs. James, Stanley & Co., Birmingham, have taken into partnership Mr. F. H. Hyam, A.S.A.A.

Removals

Messrs. H. F. White & Co., Incorporated Accountants, have transferred their practice to 2 Oxford Place, Leeds, 1. The firm name has been changed to Wilson, Braithwaite & Co.

Mr. Clarence Snowden, Incorporated Accountant, has removed his office to 2 Hillary Place, Leeds, 2 (from Lillie's Chambers, 39 Albion Street, Leeds, 1).

Messrs. J. K. Douglas & Co. advise that their address is now Lloyds Bank Chambers, 92 London Road, Liverpool, 3.

Obituary

Arthur Normanton Buckley

WE REGRET TO report that Mr. A. N. Buckley, F.S.A.A., a past President of the Incorporated Accountants' Bradford and District Society, died on January 24, at the age of 80. Mr. Buckley became a member of the Society of Incorporated Accountants in 1911, and from then until his retirement in 1951 he was in public practice in Halifax. He was elected a Vice-President of the Bradford District Society in 1939, and held office as President in 1946/47.

Mr. Buckley was formerly secretary of King's Cross Cricket and Bowling Club, and for many years he was a member of West End (Halifax) Golf Club.

The funeral service took place at St. Hilda's Church, Halifax, on January 29.

Francis Thomas Kenyon

WE REGRET TO report the death on January 1 of Mr. F. T. Kenyon, F.S.A.A., senior partner in Messrs. F. T. Kenyon & Son, Incorporated Accountants, Penrith and Keswick. Mr. Kenyon qualified as an Incorporated Accountant in 1910, and established his own practice two years later.

When the members in Cumberland and Westmorland founded a District Society in 1926, Mr. Kenyon became one of the first members of its committee, on which he continued to serve until the war period.

Classified Advertisements

Two shillings and sixpence per line (average seven words). Minimum ten shillings. Box numbers one shilling extra. Replies to Box Number advertisements should be addressed Box No. . . . , c/o ACCOUNTANCY, *Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2, unless otherwise stated. It is requested that the Box Number be also placed at the bottom left-hand corner of the envelope.*

THE SOCIETY'S APPOINTMENTS REGISTER
Employers who have vacancies for Incorporated Accountants on their staffs and also members seeking new appointments are invited to make use of the facilities provided by the Society's Appointments Register. No fees are payable. All enquiries should be addressed to the Appointments Officer, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2. Tel. Temple Bar 8822.

OFFICIAL NOTICES

ACCOUNTANT (Qualified) required by COLONIAL DEVELOPMENT CORPORATION preferably between 30 and 40 with professional and commercial experience for service initially in London and later in the colonies. Pensionable post with starting salary of about £1,200 p.a. according to experience.

Apply giving full particulars to Personnel, COLONIAL DEVELOPMENT CORPORATION, 33 Hill Street, London, W.1, quoting Serial 301.

GOVERNMENT OF NORTHERN REGION OF NIGERIA

Auditors required by Government of Northern Nigeria. Candidates preferably under 45 must have good accounting experience.

Appointment on contract for 12 to 24 months in first instance. Salary (a) qualified accountants £1,170—£1,530; (b) unqualified officers £840—£1,530. Experience counts towards starting point. Gratuity payable on satisfactory completion of contract. Children's allowance. Free passages. Generous home leave. Low income tax.

Apply Director of Recruitment, COLONIAL OFFICE, London, S.W.1, for further details and application form quoting BCD.155/408/03.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS
FELLOWSHIP IN MANAGEMENT ACCOUNTANCY

The above Examination will take place at the usual Home Centres on the 3rd, 4th and 5th June, 1957. Entry forms (obtainable on application), must be lodged with the undersigned by not later than 10th April, 1957.

STANLEY J. D. BERGER
Director

63 Portland Place
London, W.1

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS
JUNE 1957 EXAMINATIONS

The next Preliminary, Intermediate and Final Examinations will be held at the usual Home Centres on the 3rd, 4th and 5th June, 1957. Applications on Form C (obtainable on receipt of self-addressed and stamped gummed label) should be lodged with the undersigned as soon as possible, and in any case by not later than the 10th April. No late entries will be accepted.

STANLEY J. D. BERGER
Director

63 Portland Place
London, W.1

SENIOR ACCOUNTANT required by UGANDA GOVERNMENT to take charge of the financial operations of the AFRICAN HOUSING DEPARTMENT. Appointment will be on two years' probation for permanent and pensionable establishment. Commencing salary according to qualifications and experience in scale (including Inducement Pay) £1,677 rising to £1,863 a year. Free passages. Liberal leave on full salary. Candidates must possess recognised accountancy qualification and should preferably be Cost Accountants. They should have had considerable financial and stores accounting experience with large building enterprise or municipal housing scheme. Duties will include analysis of Departmental Capital and Recurrent Expenditure and formulating proposals based thereon. Local Government superannuation rights can be preserved. Write to the CROWN AGENTS, 4 Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience and quote M1B/43927/AD.

FEDERATION OF RHODESIA & NYASALAND
Vacancies
Tax Officers: Department of Taxes

Revised Conditions and Salaries:

The Tax Officers' Scale is £740 × £100 — £840 × 60 — £900 × 50 — £1,150 p.a.

Candidates *must* be under 32 and qualified as Chartered / Incorporated / Certified Accountants, Honours graduates with Accountancy as major subjects, A.C.C.S. or C.I.S. Finalists.

1. Applicants, C.A. or A.S.A.A., start at £900—£1,100 depending on experience. After one year's satisfactory service are promoted Assessor II at £1,250 p.a. on scale £1,250 × 50 — £1,550 p.a.
2. Applicants, A.C.C.A., start at £840 — £1,050, depending on experience. After one year's satisfactory service at £900 or more promoted Assessor II as in 1.
3. Applicants holding final C.I.S. or C.C.S. with minimum one year's post-final experience in accountancy, company or other relevant work, start at £740 — £950, depending on experience. After two years' assessing experience and satisfactory service for at least one year at salary of £900 or more, promoted Assessor II as in 1.

There are sufficient senior posts, with salaries of up to £2,850 p.a., to ensure career prospects.

Applications forms and further details from Public Service Attaché, Rhodesia House, 429 Strand, London, W.C.2. Closing date March 16.

FEDERATION OF RHODESIA & NYASALAND
Vacancies: Tax Clerks: Department of Taxes
REVISED CONDITIONS AND SALARIES

Applicants 17-26 MUST be single and hold at least School Certificate or G.C.E. with English, Maths and two other subjects at "O" level obtained at same examination.

Starting Salaries (Men) £420—£840, (Women) £420—£680, depending on qualifications and experience on scales rising to £960 and £800.

Promotion to Tax Officer (Men) £740—£1,150, (Women) £640—£920, depends on passing internal examination, which can be managed in first year, and service for one year on salaries of £540 or more (Men) and £510 or more (Women).

Promotion to Assessor II (Men) £1,250—£1,550, (Women) £1,000—£1,250, depends on passing further examination and service for one year on salary of £900 or more (Men), £720 or more (Women), for one year. Examinations are not competitive, promotion from Tax Clerk to Tax Officer and from Tax Officer to Assessor II NOT being subject to vacancies. There are sufficient senior posts with salaries of up to £2,850 to ensure adequate career prospects.

Application forms and further details from Secretary (R), RHODESIA HOUSE, 429 Strand, London, W.C.2. Closing date April 1.

NIGERIAN PORTS AUTHORITY
CHIEF ACCOUNTANT

The NIGERIAN PORTS AUTHORITY invites applications from professionally qualified Accountants preferably between the ages of 38 and 45 for the post of CHIEF ACCOUNTANT. This officer is normally resident in Lagos.

The successful applicant must have had several years' experience in an executive financial post of considerable responsibility. Drive, enthusiasm and organising ability of a high order are essential. Previous experience with a Ports Authority or large-scale transport undertaking would be an advantage but is not essential.

The salary offered is £3,000 per annum.

Appointment will be for one tour in the first instance. Thereafter subject to satisfactory service, on a permanent basis. Non-contributory Pension Fund. Tours normally 12 to 18 months. Leave at seven days for every completed month of wife. Additional passages and allowances for children. Furnished accommodation provided at reasonable rental. Write to the CROWN AGENTS, 4 Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience and service. Free first-class passages for officer and quote M3B/43947/AD.

TRUSTEE SAVINGS BANKS INSPECTION COMMITTEE
APPOINTMENT OF INSPECTOR

Applications are invited from Chartered, Incorporated and Certified Accountants to fill a vacancy on the inspection staff of the Committee. The appointment, which is whole-time, involves considerable travelling on tours of inspection for which first-class travelling expenses and subsistence allowances on Treasury scales are payable. The commencing salary offered is £1,055 per annum rising by annual increments to a maximum of £1,225 per annum with prospects of promotion to senior inspector status which carries an allowance of £150 per annum above the inspectors' scale. A non-contributory superannuation scheme is in force. Candidates between the ages of 28 and 40, who should preferably have had some years' professional experience since qualifying, should apply in manuscript, stating age, professional qualification and details of present and previous employment, enclosing copies of three recent testimonials, to the undersigned not later than March 14, 1957. F. G. Salter, A.S.A.A., Secretary, TRUSTEE SAVINGS BANKS INSPECTION COMMITTEE, 3 Clement's Inn, London, W.C.2.

APPOINTMENTS VACANT

A CHARTERED OR INCORPORATED ACCOUNTANT is required by The General Electric Co. Ltd. for service in the East as internal auditor and to assist local management in financial and general administrative matters. Considerable travelling will be involved. Candidates must have good personality, enthusiasm and first-class experience. Free medical services, assisted housing, car allowance and other benefits are provided. The appointment is pensionable and carries an attractive starting salary with excellent prospects. Preference will be given to men between the ages of 30 and 35. Applications giving full details of age, training and experience should be addressed to the Staff Manager, THE GENERAL ELECTRIC CO. LTD., Magnet House, Kingsway, London, W.C.2, quoting reference IA.

ACCOUNTANT
(Chartered or Incorporated)
age middle thirties

required to take charge of Accounts Department of long-established, prosperous, medium-sized manufacturers who are on the threshold of an important new development. Head Office 25 miles N.W. of London. Minimum salary £1,200. Interesting prospects for the right man. Applications in own handwriting, stating full details, to SPICER & PEGLER (Chartered Accountants), 19 Fenchurch Street, London, E.C. 3.

ACCOUNTANT/OFFICE MANAGER (not necessarily qualified) required by MOYSES STEVENS LTD., 146 Victoria Street, S.W.1. Applicants should be between ages of 30-40 and have had experience of machine accounting, credit control and office systems. Apply in own handwriting stating age, experience, positions held to date and salary expected to MR. REES.

IND COOPE & ALLSOPP LTD.
requires

A Chartered or Incorporated Accountant at its head office in Burton-on-Trent, aged about 30, with experience in modern management accounting. Commencing salary £1,000—£1,500 depending on age and experience. There is a contributory pension scheme. Applications which will be treated in confidence should be addressed to PRODUCTION-ENGINEERING LTD., 12 Grosvenor Place, London, S.W.1, and the letter marked J.D.B.

Two recently-qualified Accountants at its head office in Burton-on-Trent. Applicants, who must be Chartered, Incorporated or Cost and Works Accountants, should have an interest in modern management accounting. A commencing salary of £700—£800 is offered, depending on age and experience. There is a contributory pension scheme. Applications which will be treated in confidence, stating age, education and experience, should be addressed to PRODUCTION-ENGINEERING LTD., 12 Grosvenor Place, London, S.W.1, and the letter marked J.D.B.

APPOINTMENTS VACANT

(Continued)

APPLICANTS with the necessary experience requiring BETTER positions as Senior, Semi-senior and Junior AUDIT CLERKS should contact us. We have a good selection. Other Professional and Commercial posts available. HOLMES BUREAU, 10 Queen Street, E.C.4. City 1987.

AUDIT CLERK with experience in professional accountancy required for UMTALI branch of Chartered Accountants in Southern Rhodesia. Aged between 30-50. Salary from £840 p.a. depending on experience. Passage paid. Apply to A.51/18, O.T.S., 5 Welldon Crescent, Harrow, Middlesex.

AUDIT CLERKS. Many vacancies waiting for Senior, Semi-senior or Junior. Call BOOTH'S AGENCY, 80 Coleman St., Moorgate, E.C.2.

CHARTERED AND INCORPORATED Accountants—successful candidates at recent examinations who wish to acquire a wide and varied experience required by large firm of chartered accountants in London; good starting salary and excellent prospects. Box No. 520, c/o ACCOUNTANCY.

CHARTERED ACCOUNTANTS with a substantial practice in central Southern England require a Senior Assistant to the Manager of one of their audit sections. Besides being qualified, he should be a rapid and thorough technician, possessing a flair for organising staff and work and preferably aged 25-30, with a background of varied experience in a reputable provincial firm. Good starting salary with definite prospects, if selected for promotion, of obtaining a four-figure income in due course. Box No. 522, c/o ACCOUNTANCY.

INTERNAL AUDITOR

Applications are invited from single men preferably between the approximate ages of 27 and 38, at a commencing salary of £1,800 per annum, which is unlikely to be subject to income tax.

The post involves continuous travel on a world-wide basis, but the appointee may qualify for a senior appointment at one of this Company's fixed establishments. First-class travel and hotel accommodations furnished. Local and home leaves, retirement, insurance and sick benefits provided. The travel schedule is not arduous, the work is interesting and responsible, and the prospects of advancement excellent.

Applications, which will be treated in strictest confidence, must be handwritten and state at least, age, professional qualifications and full details of experience. Selected applicants may be requested to attend for interviews in London. Write Box No. 527, c/o ACCOUNTANCY.

CHARTERED OR INCORPORATED ACCOUNTANT, preferably aged 30 to 35 years, with experience of industrial organisation is required for a manufacturing Company in Trafford Park, Manchester, to study current methods of accounting and clerical procedure in office and factory and to make recommendations for improvement. The position is a new one, offering excellent prospects of promotion to Management level. Commencing salary £1,100 per annum. Excellent pension and life assurance schemes in operation. Applicants with requisite qualifications will be granted interviews at Company's offices. Apply giving full details of past experience and personal history, including education, to Box No. 526, c/o ACCOUNTANCY.

CHARTERED OR INCORPORATED ACCOUNTANT required by firm of Chartered Accountants in Bulawayo, Southern Rhodesia. Commencing salary £1,320 to £1,500 per annum, depending upon age and experience since qualifying. Reply giving full details of background and experience to SCOT-RUSSELL, MURRAY AND PUGH, P.O. Box 437, Bulawayo, Southern Rhodesia.

LEEDS CHARTERED ACCOUNTANTS require young qualified Accountant for progressive position. Salary according to ability and experience. Write BEEVERS & ADGIE, 26 Park Row, Leeds, 1.

RECENTLY-QUALIFIED ACCOUNTANT, preferably with some commercial experience, required to act as assistant to Chief Accountant of group of companies in S.W. London area. Well-known national concern. Salary range £650—£850 according to age and experience. Write giving full details of experience and salaries received to date. Box No. 525, c/o ACCOUNTANCY.

SENIOR ACCOUNTANT required for two-year tour of service in Tropics with a British Company —with prospects of extension. Experience in public utility or similar undertaking and used to controlling staff. Knowledge of Portuguese language would be an advantage. Will be required to pass medical examination of fitness. Salary in range of £1,500/£2,000 per annum, according to experience and qualifications. Free quarters or allowance in lieu, free medical attention, free passages self and wife, three months' leave on full pay after satisfactory completion of tour. Income tax nil. Provident Fund. Apply Box No. 528, c/o ACCOUNTANCY.

SENIOR Assistant required by medium-sized firm of City Chartered Accountants. Commencing salary £700 upwards, according to experience. Write Box No. 521, c/o ACCOUNTANCY.

VACANCY—Commercial—exists for man 20-28 in Professional office, Westminster District. Good arithmetic and reasonable typing required. Excellent prospects. Good commencing salary. Pension scheme. Hand write to Box No. 523, c/o ACCOUNTANCY.

VACANCIES available for qualified Accountants in South America, West Indies, Rhodesia, Kenya, Far East and the Continent. Call BOOTH'S AGENCY, 80 Coleman St., Moorgate, E.C.2.

YOUNG COST ACCOUNTANT required for stoneware works in Lancashire. Permanent position for person capable of installing and maintaining costing system. Good salary offered and pension scheme. Apply Box No. 519, c/o ACCOUNTANCY.

APPOINTMENTS REQUIRED

AVAIL yourselves of our services in filling your Staff Vacancies—COMMERCIAL or PROFESSIONAL. Selected Applicants only. HOLMES BUREAU, 10 Queen Street, E.C.4. City 1978.

INDIAN Muslim Graduate (27), 3½ years' Bye-law service, seeks to continue same with U.K. city firms with prospects. Varied audit experience. £10 a week. Excellent reference. Box No. 516, c/o ACCOUNTANCY.

PRACTICES AND PARTNERSHIPS

A WELL-ESTABLISHED Accountancy Practice of a Graduate and Associate of the Institute of Chartered Accountants of India—at Mombasa, British East Africa, available in exchange for a position as a partner or an employee in some well-established professional or commercial firm in India—preferably in Bombay or Northern India. Any alternate proposals would be welcome, as the owner wants to settle back in India for climate reasons. Correspond in confidence with G. D. MEHTA, Postbox 1448, Mombasa.

MISCELLANEOUS

A FAMOUS Mutual Life Assurance House needs a few men of drive and integrity to act as Agents. Accountants and their assistants have the right contacts and can best serve their "Mutual" interests. Further details from Box No. 524, c/o ACCOUNTANCY.

ACCOUNTANTS' NAME PLATES engraved in Bronze with Ceramic Cream Enamel lettering. Leaflet post free with full-size proof on receipt of wording. G. MAILE & SON LTD., Engravers, 367 Euston Road, London, N.W.1 (EUSton 2938).

NAME PLATES FOR ACCOUNTANTS, in bronze, brass and plastics.—Send wording and size for free estimate and layout to ABBEY CRAFTSMEN LTD., 78 Osnaburgh Street, London, N.W.1. Tel. EUSton 5722.

OLD ESTABLISHED Building Society with high reserves and liquid funds requires additional investments to keep pace with its growing mortgage department. Applications for a limited number of investment agency appointments are invited from professional accountants. Write for particulars to Box No. 514, c/o ACCOUNTANCY.

THE "GROVE" SPECIALLY-DESIGNED ACCOUNT BOOKS greatly simplify the Book-keeping Difficulties of the small businessman and trader. Clear. Complete. Scientific. Supplied to and recommended by Accountants throughout the country. Specimen Rulings on request. THE GROVE PUBLISHING CO., Macclesfield, Cheshire.

WAKEFIELD COLLEGE OF INCOME TAXATION LIMITED offers SPECIALISED postal tuition for those who wish to SPECIALISE in Income Taxation. Course for the Associateship Examination of the Institute of Taxation. Also non-examination courses. Prospectus free from the Principal, Dept. A6, 29 Barstow Square, Wakefield.

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